

# 2020 Comprehensive Annual Financial Report



For Fiscal Years Ending  
June 30, 2020 and June 30, 2019

**Hilton Head Public Service District**  
Hilton Head Island, South Carolina

# **Hilton Head Public Service District**

Hilton Head Island, South Carolina

## **Comprehensive Annual Financial Report**

**For Fiscal Years Ending  
June 30, 2020 and June 30, 2019**

Prepared by:  
Finance Department

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<sup>1</sup> SCRS is an abbreviation for South Carolina Retirement System

<sup>2</sup> NPL is an abbreviation for Net Pension Liability

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### **Debt Capacity**

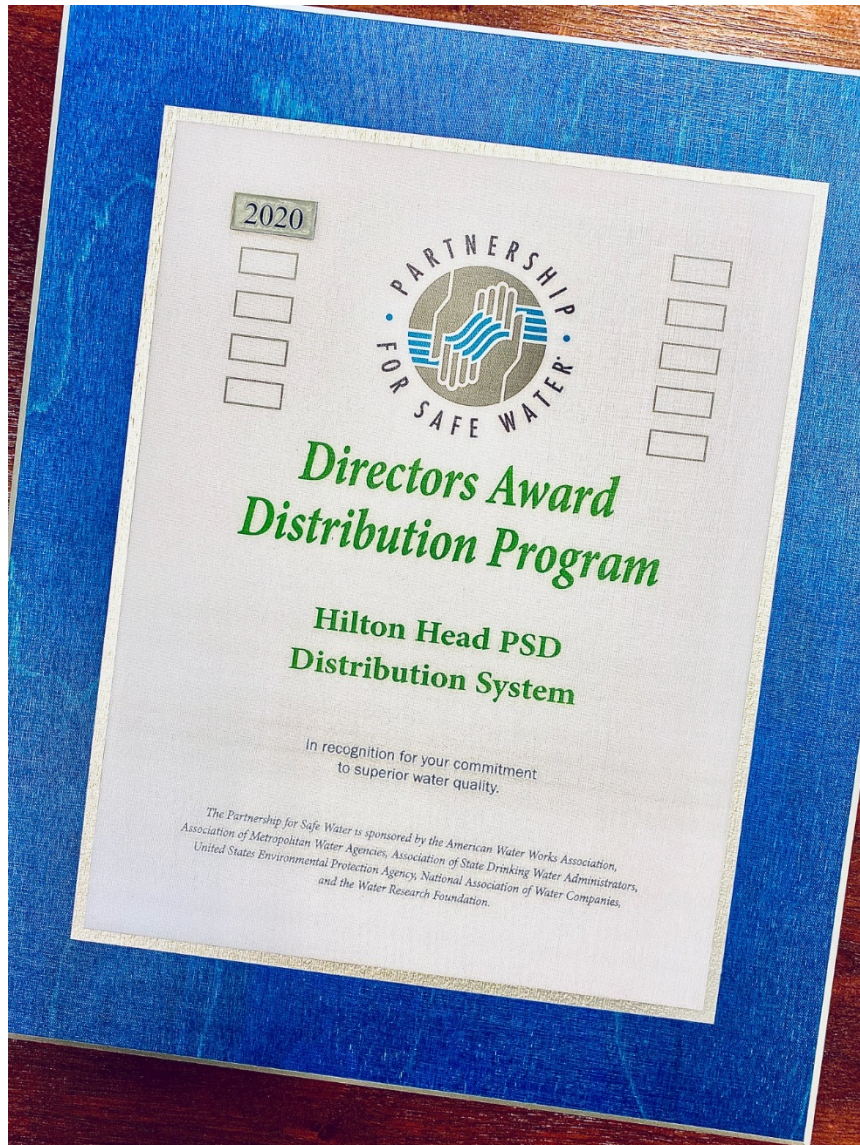
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**On the cover: Hilton Head PSD recycled water nourishes the Whooping Crane Pond Conservancy on the north end of Hilton Head Island. The conservancy contains 115 acres of old growth hardwood forest, marshland, and open water. It is habitat for an array of species, including great egret, wood stork, and ibis. The PSD annually recycles approximately 1 billion gallons of highly treated wastewater into beneficial reuse water for wetland habitat nourishment and golf course irrigation – a pioneering program that is a hallmark of Hilton Head Island.**

# INTRODUCTION



**Hilton Head PSD earned the prestigious Directors Award from the Partnership for Safe Water in 2020 in recognition of the PSD’s completion of a rigorous self-assessment and peer-reviewed program to help ensure safe, high-quality drinking water for our community. The program involves evaluation of an array of factors to achieve optimization of the drinking water distribution system. The Partnership for Safe Water is a joint program of the American Water Works Association, U.S. Environmental Protection Agency, Water Research Foundation, Association of Metropolitan Water Agencies, Association of State Drinking Water Administrators, and the National Association of Water Companies.**

***Letter from the General Manager:***  
**Rising to Unprecedented Challenges**



**J. Pete Nardi, PSD General Manager**

It is once again my pleasure and honor to present for your review the Hilton Head Public Service District (“PSD”) Comprehensive Annual Financial Report (“CAFR”). This report represents the outstanding work of our financial administration team at the PSD, led by Finance Manager Amy Graybill, CPA, and Senior Accountant Brian Cronin.

The year 2020 served to underscore how essential our work is to the health and welfare of Hilton Head Island. The PSD is well-positioned to navigate the unprecedented crisis of the COVID-19 pandemic. We have maintained our high level of drinking water quality, wastewater treatment, and customer service throughout this time, while keeping our team of essential workers safe and healthy. We also demonstrated our care and compassion for our customers by holding off on water shut offs and late fees due to non-payment because of the importance of sanitation in combatting the virus.

We accomplished industry-leading achievements in the face of the pandemic crisis. We earned the prestigious Directors Award from the Partnership for Safe Water for completing a rigorous self-assessment and peer-reviewed program for the optimization of our drinking water distribution system. We also once again earned the South Carolina Department of Health and Environmental Control (“DHEC”) Facility of Excellence award for the outstanding operation of our wastewater treatment plant, as well as DHEC’s Laboratory of Excellence recognition for our in-house Water Quality Laboratory that ensures the safety of our drinking water and our compliance with state and federal drinking-water quality and treated wastewater discharge regulations.

We provide so much for our community with very affordable rates, and a relatively small staff and small budget. We are going to keep on doing it – come what challenges may.

All My Best,

A handwritten signature in black ink that reads "J. Pete Nardi". The signature is written in a cursive, flowing style.

J. Pete Nardi  
General Manager  
Hilton Head PSD

## COMMISSIONERS

Bob Manne, Chair  
David McCoy, Vice-Chair  
Gary Kratz, Treasurer  
Frank Drehwing, Secretary  
Herbert Ford  
Patti Soltys  
Frank Turano



## EXECUTIVE STAFF

J. Pete Nardi, General Manager  
Amy Graybill, Finance Manager  
William C. Davis, Operations Manager

# HILTON HEAD PUBLIC SERVICE DISTRICT

October 12, 2020

## Management Letter of Transmittal

The Commission and staff of the Hilton Head Public Service District (“PSD” or “District”) are pleased to present the Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2020. This is the eleventh report issued as a CAFR and it will be made available to the general public via the [www.hhpsd.com](http://www.hhpsd.com) web site. It also can be viewed in person at the PSD’s Customer Service Center at 21 Oak Park Drive off Mathews Drive, on Hilton Head Island. The District is required to publish a complete set of annual audited financial statements; this report fulfills that requirement for the fiscal year ended June 30, 2020.

Management assumes the responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. The cost of internal controls should not exceed the anticipated benefits. Accordingly, the objective of internal controls is to provide reasonable, rather than absolute assurance that the financial statements are free of material misstatements.

The PSD’s financial statements have been audited by Greene Finney LLP, a firm of licensed public accountants. The goal of the independent audit is to provide reasonable assurance that the PSD’s financial statements for the fiscal year ending June 30, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the numbers and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District’s financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The independent auditors’ report is presented in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The PSD’s MD&A can be found in the Financial Section of the CAFR.

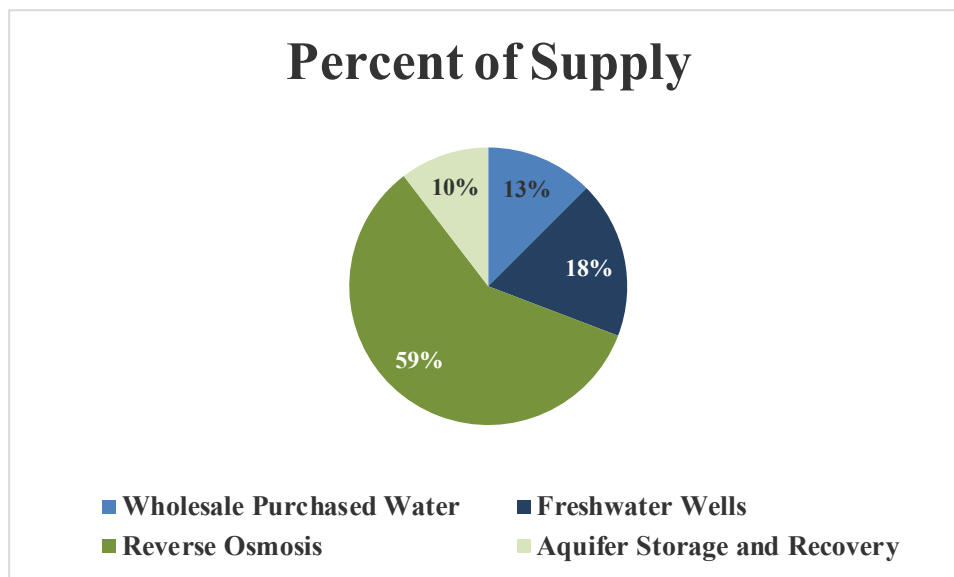
## Profile of Hilton Head PSD

The PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD provides:

- Tap water production and treatment.
- Tap water distribution.
- Sanitary sewer collections.
- Wastewater treatment.
- Recycled water distribution.

Residents of Hilton Head Island relied on private wells for their drinking water needs until 1957. At that time, a local development firm called the Hilton Head Water Company introduced a community waterworks system, installing water lines and drilling wells throughout the island. Ten separate utilities, both public and private, provided water and wastewater services to the residents of the island at the time of the PSD's creation. Beginning in 1995, the PSD acquired the four utilities that now comprise its current service area. In addition, the PSD acquired two small systems on the island previously served by a mainland utility. Consolidation of the remaining island utilities formed the three public service districts currently serving Hilton Head Island – Hilton Head, Broad Creek, and South Island PSDs.

The PSD serves more than 18,000 customers accounts in the north- and mid-island areas of Hilton Head Island, from Jenkins Island to the Hilton Head Resort. The utility's service area includes many of the neighborhoods where the island's 40,000 full-time residents reside, including the traditional Native Islander neighborhoods as well as the large-scale subdivisions of Hilton Head Plantation, Indigo Run, Port Royal Plantation, and Palmetto Hall Plantation.



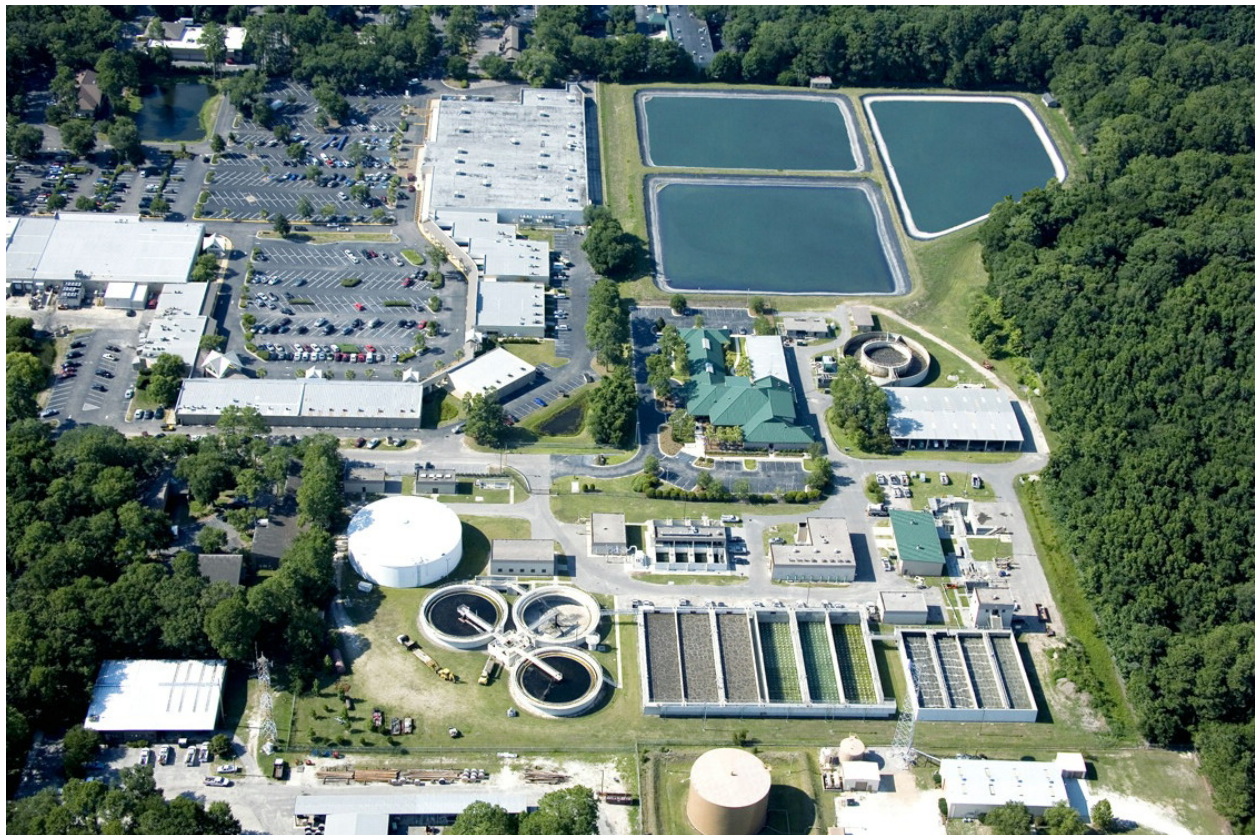
The PSD can provide a maximum water demand of 13 million gallons a day (mgd). It experiences an average demand of 7 mgd and a peak demand of 10 mgd. The PSD's Reverse Osmosis (RO) Water Treatment Facility provides 4 mgd, which is about 59% of water supplied in Fiscal Year 2020. The RO Facility's source of water is brackish groundwater from the 600-foot-deep Middle Floridan Aquifer, pumped from three wells. The brackish water is treated in the RO Facility, which began operations in 2009

in response to the loss of fresh groundwater wells caused by saltwater intrusion into the shallower Upper Floridan Aquifer.

About 13% of water supplied in fiscal year 2020 was purchased on a wholesale basis from the Beaufort-Jasper Water & Sewer Authority (BJWSA) on the mainland. The treated wholesale water is conveyed to the PSD via its 24" pipeline buried under the Intracoastal Waterway. Fresh groundwater from the PSD's remaining Upper Floridan wells provided about 18% of water supplied in Fiscal Year 2020.

The remaining 10% of water supplied in fiscal year 2020 came from the PSD's Aquifer Storage & Recovery (ASR) Facility. It is the island's first-ever ASR facility and began operations in 2011. In the winter months of lower demand, the facility stores approximately 250 million gallons of treated tap water in the Middle Floridan Aquifer. It then withdraws and re-treats the water during the summer months of higher demand, providing 2 mgd of supply. The stored water is purchased at a reduced, "off-peak" rate from BJWSA. The PSD's ASR Facility recovers the stored water in the summer months of higher demand when the full wholesale rate from BJWSA is in effect, saving customers' money.

The PSD's Recycled Water Plant is a tertiary-treatment, return activated sludge (RAS) municipal wastewater treatment plant. The Recycled Water Plant can treat 6.4 mgd of wastewater. Average flow into the treatment plant is under 3 mgd. The PSD is a 100% recycled water utility. All treated wastewater is recycled for golf course irrigation or interior wetlands nourishment – no treated wastewater is discharged to any receiving bodies of water.



**The PSD Customer Service Center and Recycled Water Plant**

## Local Economy

Tourism is the largest industry in Hilton Head Island's economy. In addition to being a premier vacation destination, the island is also known as a retirement destination. Maintaining and preserving the natural environment has been a key component in the island's strategy to attract visitors and residents to the area and the island is well-known for its beaches, waterways, bike paths, golf courses, and other natural and outdoor amenities. Despite the COVID pandemic, the District has continued to see new growth and development in its service area and warm, dry weather patterns have continued to keep consumption levels within typical ranges.

## Long Term Financial Planning

The District's financial accounting system is based on the full accrual basis in accordance with GAAP. The accounts of the District are organized on the basis of a proprietary fund type enterprise fund. The fund is accounted for by a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenses. The fund is established to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent is to provide goods and services to the general public on a continuing basis with costs recovered primarily through user charges. The District operates on a current funding basis. Expenditures are budgeted and controlled so as not to exceed current revenues plus the planned use of Fund Balances accumulated through prior years.

The District is required by state law to adopt a balanced budget by June 30 of each year. District staff begins preparation of a draft budget in January, which is presented to the Commission in April/May and approved prior to June 30 of each year. The budget may be amended from time to time within the fiscal year. As required by the laws of the State of South Carolina, the District will adopt a balanced Operating Budget and provide full disclosure when a deviation from a balanced Operating Budget is planned or when it occurs. This balanced budget will ensure that all operating expenses will not exceed operating revenues at adoption and at year-end. Any increase in expenses, decrease in revenues, or combination of the two that would result in a material budget imbalance may require a Commission approved budget revision.

### *Internal Accounting Controls*

The District has developed and adopted a comprehensive set of financial policies that are consistent with the District's goals and objectives. Financial policies are an integral part of the development of service, providing of capital, and establishing of financial plans and the annual budget. They provide the basis for decision-making and ensure the District's ongoing financial stability. The financial policies of the District provide the structure and direction for financial reporting, planning, and decision making by management and the Board. Additionally, they are designed to ensure the financial integrity of the District. Policies are documented and periodically reviewed to reflect changes in Board policy, legal and professional requirements, and changes in accepted industry practices. Internal accounting controls are designed to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition, and that records used for preparing financial reports and maintaining asset accountability are reliable. Because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. A system of internal controls is established and monitored by management. The Finance Manager reviews controls and procedures on a continuing basis and immediately reports any concerns to the General Manager / Finance Committee for resolution. As part of this initiative, the Finance Manager oversees the documentation and periodic review of financial standard operating procedures to ensure that internal audit functions and

professional skepticism are incorporated as part of the analytical and reporting function. Management of the District is further charged, through personnel policies, with providing the leadership that promotes ethical behavior.

The Finance Committee of the Board of Commissioners serves as the Audit Committee of the District. It is comprised of three members of the Board. Generally, this Committee meets with management regularly to review the financial status of the District. Additionally, the Committee meets with management and the independent external auditors to ensure that both parties are fulfilling their obligations with regard to auditing, controls, and other financial reporting factors.

### *Rates and Charges*

The District maintains and administers a revenue system that assures a reliable, equitable and sufficient revenue stream to support the District services. Since the principal revenue stream for the District is comprised of the fees and charges established by the Commission, the governing body of the District, it is important that the District adopts policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided.

As stated in the District's financial policies, all user charges and fees are set at levels related to the costs (operating, direct, indirect and capital) of providing its services. The District reviews these fees and charges annually during the budget process and targets rates that are expected to produce revenues sufficient to fully fund the costs of providing services – particularly in the District's key businesses (water and wastewater).

Cost of service includes direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital. The District may choose not to recover all costs, but it must identify such costs. Reasons for not recovering full costs are identified and explained. The District also examines rates and charges levied by other water and sewer systems for like services in establishing rates, fees and charges. These fees (water and sewer user fees, capacity fees, tap fees, tower revenues, etc.) are reviewed through the District's annual cost of service process. A policy of seeking the collection of delinquent utility accounts is maintained and is outlined by specific procedures. In projecting revenues - and where judgment is required - conservatism is the rule.

In compliance with the District's financial policies, water and sewer rate increases are minimized whenever possible. However, both water and sewer rate increases have been necessary in the past to sustain necessary revenues to support related water and sewer expenses. On June 26, 2019, the District's Board adopted a water and sewer rate increase to be effective July 1, 2019 whereby both the water and sewer base rates were increased by \$1.00. For a summary of the District's historical and present water and sewer rates, please reference the Water and Wastewater Rate Comparison Table in the Statistical Section on page 90.

### *Millage*

Pursuant to Act No. 596 of 1969, the District is authorized to impose ad valorem property taxes not to exceed ten mills to defray a portion of its operational costs; however, the District's operational ad valorem millage is now capped by statute at 3 mills. As of July 1, 2007, millage rates for operations may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision, but only for a certain number of specific, prescribed purposes.

The limitations described above do not apply to the levy of debt service millage. Therefore, the District is also authorized to impose ad valorem property taxes, without limit as to rate or amount, to defray the debt service on general obligation bonds of the District. All of such general obligation bonds are approved by the Beaufort County Council pursuant to South Carolina general law. Absent a referendum, the outstanding par amount of general obligation bonds issued by the PSD shall not exceed eight percent (8%) of the assessed value of all taxable property in the PSD. This item is covered in more detail on page 94 under General Obligation Debt Limit.

## **Major Initiatives**

### *Master Sewer Plan*

The PSD completed the joint Town of Hilton Head Island-Hilton Head PSD Master Sewer Plan projects in fiscal year 2020. About 440 existing homes gained access to sewer as a part of this jointly funded project. In all, more than 9 miles of sewer collector mains were installed on approximately 60 different streets that previously lacked access. Providing sewer access throughout its service area has been a top priority of the PSD. The Town of Hilton Head Island provided nearly \$10 million for sewer collector mains and the Community Foundation of the Lowcountry raised about \$3 million for its Project SAFE (Sewer Access for Everyone) charitable fund that provides sewer connection grants for income-qualified homeowners. The PSD built two regional sewer lift stations to accommodate the new sewer mains, using \$1.5 million in long-term, low-interest funding from the South Carolina Clean Water Revolving Fund. The District intends to continue to fund smaller projects over the coming years that will bring service to landlocked properties that are now in proximity to the sewer system thanks to the Master Sewer Plan projects. The PSD's sewer access initiative has seen total sewer connections increase from about 80% of customers in 2004 to more than 94% in 2020.

### *Long Term Water Supply Planning & Modeling*

During the year, the PSD has continued work on its long term water supply planning. This initiative aims to ensure that the District is in a position to meet its peak demand at build out of the District's service area and also considers the potential effects of the future loss of groundwater wells to saltwater intrusion. The planning includes an evaluation of the future supply options based on areas such as source-water quality and availability, treatment requirements, regulatory requirements, and capital costs. The District has updated its Geographic Information System (GIS) computerized water model, which aids in scenario-based analysis of the impact of current and future peak demand periods on water pressure and fireflow capabilities. This type of planning allows the utility to evaluate strategic locations for future water production and supply assets, as well as to identify future distribution system improvements.

### *Asset Management Planning*

The District completed an Asset Management Plan to accompany its five-year Capital Improvement Program (CIP) that is presented annually as a part of the District's budget. The plan ranks approximately 100 major assets of the District on the basis of probability and consequence of failure, condition, replacement value, and expected useful life, among other categories. It includes assets such as the RO and ASR facilities, multiple features and equipment within the Wastewater Treatment Plant, sewer lift stations, drinking water production wells, ground-level water storage tanks and elevated water towers, and many more. The goal of the Asset Management Plan is to provide predictability in the District's long-term CIP, avoid unanticipated repairs and outages, and maintain appropriate levels of service. Asset Management planning aids the District in designing stable rates and in managing financial burdens. It is an ongoing

process that involves continuous updating and honing of asset condition assessments, and multi-year capital planning to ensure that the District's infrastructure, facilities, and equipment are operating effectively and efficiently.

## Awards and Acknowledgements

### *Organizational Awards*

The District earned the Directors Award from the Partnership for Safe Water for completing a rigorous self-assessment and peer-reviewed program for the optimization of our drinking water distribution system.

The District continued to earn the South Carolina Department of Health and Environmental Control (DHEC) Facility of Excellence award for the outstanding operation of our wastewater treatment plant, as well as DHEC's Laboratory of Excellence recognition for our in-house Water Quality Laboratory.

The District earned the 2020 Excellence in Education and Outreach Award from the U.S. Environmental Protection Agency's WaterSense program. The PSD earned the award for its efforts to inform and educate customers about water efficiency and environmental sustainability programs. The PSD was one of three WaterSense Partners nationwide to be recognized for Excellence in Education and Outreach in 2020, along with the City of Allen, TX, and the Placer County (CA) Water Agency. Learn more about the 2020 WaterSense Award winners at <https://www.epa.gov/watersense/watersense-awards>. The PSD earned a WaterSense Honorable Mention Award in 2019.

### *Financial Awards*

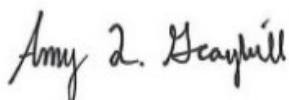
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hilton Head Public Service District for its comprehensive annual financial report for the fiscal year ended June 30, 2019 (reference the following page). This was the tenth year that the District achieved this prestigious award. To be awarded a Certificate of Achievement, a government must establish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

### *Acknowledgements*

The preparation of this report could not be accomplished without the dedicated service of the entire staff of the Finance Department. We also want to thank all PSD team members for their service, and our customers and Board of Commissioners for their support of our utility and its mission.

Respectfully Submitted,



Amy Graybill, CPA, Finance Manager



Brian Cronin, Senior Accountant



Pete Nardi, General Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Hilton Head Public Service District #1  
South Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrill*

Executive Director/CEO

## Board of Commissioners

Hilton Head No.1 Public Service District is governed by a seven-member Board of Commissioners. Commissioners are elected by registered voters of the District during general elections. Commissioners serve four-year terms and represent four different voting districts within the PSD service area.

The Commission establishes policies for the PSD and employs the General Manager. The Commission reviews and adopts the utility's annual operating budget and conducts an annual Cost of Service Analysis in order to determine the utility's consumption rates and user fees.

The Commission normally meets on the fourth Wednesday of each month in the PSD Community Room at 21 Oak Park Drive off Mathews Drive on Hilton Head Island. Public comment is welcome at all Commission meetings.

### The 2019-20 Hilton Head Public Service District Commission



**W. Robert "Bob" Manne**, Chair, District 4  
Current Term: 2016-2020



**David McCoy**, Vice Chair, District 2  
Current Term: 2016-2020



**Gary Kratz**, Treasurer, District 4  
Current Term: 2016-2020



**Frank Drehwing**, Secretary, District 4  
Current Term: 2018-2022



**Herbert Ford**, District 1  
Current Term: 2018-2022



**Patti Soltys**, District 3  
Current Term: 2016-2020



**Frank Turano**, District 3  
Current Term: 2018-2022

## **HILTON HEAD PUBLIC SERVICE DISTRICT**

### **Vision & Mission Statement**

**Revised February 27, 2019**

#### **Vision Statement**

Our vision is to be a state-of-the-art water and sewer public utility, acknowledged as a model of excellence.

#### **Mission Statement**

Hilton Head Public Service District's mission is to:

- A. Provide high quality drinking water, wastewater treatment and recycled water services to present and future customers;
- B. Deliver those services in a cost-effective, equitable, sustainable and timely manner;
- C. Maintain sensitivity to the water and recycled water needs of the community;
- D. Contribute to the improvement of public health and the environment; and
- E. Serve as a platform for economic development.

# Strategic Goals

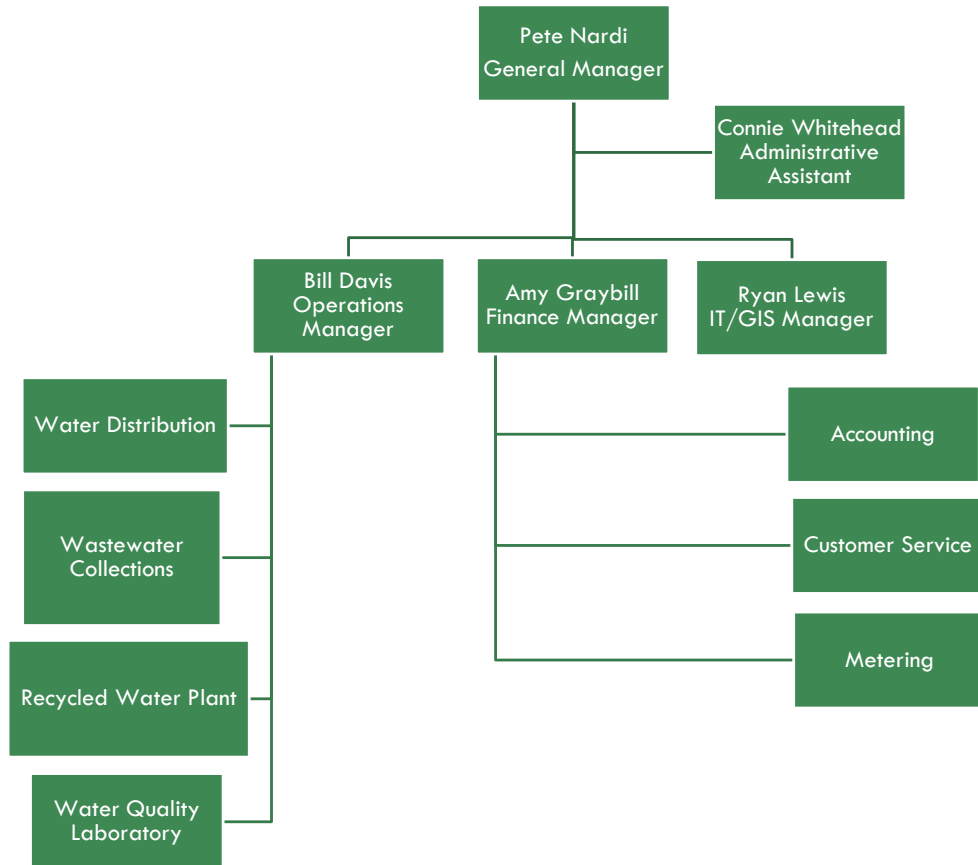
The Commission periodically reviews and, if necessary, makes revisions to the Strategic Goals. Below are the current Strategic Goals for the PSD as adopted by the PSD Commission.

## **Hilton Head PSD Strategic Goals** **Adopted March 27, 2019**

- Goal No. 1 – Water Services: Provide for all of our customers’ water supply needs with the highest quality water possible in a cost-effective manner.
- Goal No. 2 – Recycled Water Services: Provide for all of the District’s wastewater collection, treatment and recycled water distribution services in a cost-effective manner while enhancing and protecting the Island’s environment.
- Goal No. 3 – Environmental and Sustainability: Operate in a sustainable manner with high regard for protecting and improving the environment.
- Goal No. 4 – Customer Satisfaction: Direct all activities to achieve a consistently high level of customer satisfaction.
- Goal No. 5 – Financial Responsibility: Conduct all District activity in a fiscally responsible manner.
- Goal No. 6 – Organizational Excellence and Leadership: Achieve organizational excellence and leadership.
- Goal No. 7 – Asset Management: Acquire, maintain, protect and secure the District’s property, databases, plant and equipment assets (investment in the future).
- Goal No. 8 – External Relations: Develop, expand and leverage the District’s positive relationships with external organizations, utilities and governments.



## Fiscal Year 2020 Organizational Chart



# **FINANCIAL**

**For Fiscal Years Ended June 30, 2020 and June 30, 2019**



# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Hilton Head No.1 Public Service District  
21 Oak Park Drive  
Hilton Head Island, SC 29926

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Hilton Head No.1 Public Service District (the "District") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hilton Head No.1 Public Service District as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Hilton Head No.1 PSD SCRS Contributions, and the Schedule of Hilton Head No.1 PSD's Proportionate Share of the NPL be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental financial information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
October 12, 2020

## Management’s Discussion and Analysis

This section of the Hilton Head No. 1 Public Service District’s (the “District”) annual financial statements presents our analysis of the District’s financial performance during the fiscal years ending June 30, 2020, 2019 and 2018. Please read it in conjunction with the unaudited financial statements contained in this section.

### Financial Highlights

- Total assets at the end of the fiscal year 2020 were approximately \$88.3 million (See Table A-1, Page 23). Total assets and deferred outflows of resources were \$89.8 million, exceeding liabilities and deferred inflows of resources by \$49.1 million.
- Water Customer Growth: The District added 195 new water/irrigation taps to the system in fiscal year (FY) 2020. As of June 30, 2020, the District has a total of 18,783 equivalent dwelling units (EDUs). This is a 1.05% increase for FY 2020. For FY 2019 there was a 0.87% increase in total EDUs. The current EDUs include 17,693 water service units, 1,041 irrigation service units, and 49 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

#### *Water & Irrigation Customers*

Fiscal Year	Residential	Master Metered Residential	Commercial	Total	% Growth
2020	11,812	4,907	2,064	18,783	1.0%
2019	11,627	4,907	2,054	18,588	0.9%
2018	11,492	4,907	2,029	18,428	1.5%
2017	11,226	4,907	2,022	18,155	1.0%
2016	11,060	4,907	2,009	17,976	0.5%
2015	10,997	4,851	2,041	17,889	0.6%
2014	10,846	4,850	2,078	17,774	1.0%
2013	10,679	4,850	2,071	17,600	0.6%
2012	10,565	4,850	2,080	17,495	0.3%
2011	10,527	4,843	2,077	17,447	0.8%

- Sewer Customer Growth: The District added 220 new sewer connections to the system in fiscal year 2020. As of June 30, 2020, sewer service EDUs total 16,693. This is a 1.34% increase for FY 2020 as compared to the FY 2019 increase of 1.32%.

#### *Sewer Customers*

Fiscal Year	Residential	Master Metered Residential	Commercial	Total	% Growth
2020	10,311	4,907	1,475	16,693	1.3%
2019	10,097	4,907	1,469	16,473	1.3%
2018	9,882	4,907	1,469	16,258	1.9%
2017	9,588	4,907	1,466	15,961	1.3%
2016	9,431	4,907	1,420	15,758	0.8%
2015	9,305	4,851	1,477	15,633	0.9%
2014	9,175	4,850	1,461	15,486	1.5%
2013	8,976	4,850	1,434	15,260	1.0%
2012	8,847	4,850	1,412	15,109	0.5%
2011	8,775	4,843	1,412	15,030	0.9%

- As shown in the table below, the sewer to water customer percentage has increased to 94.35% percent since the beginning of fiscal year 2019.<sup>3</sup> This increase is related to the District’s Master Sewer Plan construction projects and Project SAFE funded connections as well as general development in the District.

*Water / Sewer Connection Growth 06/30/2020*

Date	Water & Irrigation EDU's	Only Water EDU's	Inactive Water EDU's	Change in Water EDU's	Sewer EDU's	Inactive Sewer EDU's	Change in Sewer EDU's	% Sewer to Water EDU's
06/30/19	18,588	17,503	372	N/A	16,473	169	N/A	94.12%
09/30/19	18,627	17,542	372	39	16,523	167	50	94.19%
12/31/19	18,662	17,573	377	31	16,563	171	40	94.25%
03/31/20	18,734	17,644	362	71	16,639	162	76	94.30%
06/30/20	<u>18,783</u>	<u>17,693</u>	366	<u>49</u>	<u>16,693</u>	167	<u>54</u>	94.35%
<b>Total EDU's Added</b>	<b><u>195</u></b>	<b><u>190</u></b>		<b><u>190</u></b>	<b><u>220</u></b>		<b><u>220</u></b>	

- On July 1, 2019, a rate increase was put into effect whereby the water base rates were increased by \$1.00 and sewer base rates were increased by \$1.00 and volumetric rates were adjusted as follows:

	<i>Residential Water</i>	<i>Residential Irrigation</i>	<i>Commercial Water and Irrigation</i>
First 10,000 gallons	\$ 1.47	\$ 1.82	\$ 1.69
Next 10,001 to 20,000 gallons	\$ 1.82	\$ 1.82	\$ 2.04
Next 20,001 to 30,000 gallons	\$ 2.27	\$ 2.27	\$ 2.52
Over 30,000 gallons	\$ 2.79	\$ 2.79	\$ 3.07

The District’s Board adopted this rate increase at the June Commission Meeting on June 26, 2019.

- Total operating revenues for fiscal year 2020 were \$14,746,939 compared to \$13,734,240 for fiscal year 2019, an increase of \$1,012,699. Water service revenues increased \$587,196 or 8.2% and sewer revenues increased \$311,223 or 5.8% compared to last fiscal year due to higher billed water consumption and a rate increase that was put into effect on July 1, 2019 (See the Water Rate Comparison table on page 90 in the Statistical Section of this report).<sup>4</sup>

Total rainfall in fiscal year 2020 totaled 61.06 inches compared to 55.85 inches in fiscal year 2019.<sup>5</sup> Despite this 5.21 total increase in rainfall, billed consumption increased 61.8 million gallons, or 3.1%, from 2,006,513 million gallons in fiscal year 2019 to 2,068,280 million gallons in fiscal year 2020. Spring/Summer<sup>6</sup> rainfall totaled 30.0 inches in fiscal year 2020 compared to 34.4 inches in fiscal year 2019. Both fiscal year 2020 and 2019 had several stretches of long, dry periods mixed in with several periods of heavy rainfall which may be attributable to why consumption increased despite increased total rainfall. (See the Rainfall Comparison tables on page 100 in the Statistical section of this report for further data).

<sup>3</sup> This percentage is based solely on water customers and does not include irrigation, dock meters, hydrants, pool meters, and golf course water coolers etc.

<sup>4</sup> Residential sewer service customers billed consumption is capped at 10,000 gallons per month. Therefore, sewer service revenues are not positively affected by higher water consumption compared to water service revenues.

<sup>5</sup> Rainfall measurements were recorded at the wastewater treatment plant.

<sup>6</sup> Months included for each year are March through August.

- On March 27, 2020, the Governor of South Carolina declared a state of emergency related to the COVID-19 Pandemic. In response to the pandemic, the District suspended shut-off procedures through September 30, 2020 and suspended late payment and returned check fees through January 1, 2021. The District has applied for FEMA assistance in the amount of \$19,342 for CAT B emergency protective costs including building disinfection and personal protective equipment incurred through June 30, 2020. As of the date of this report, it is unknown whether this amount will be approved and disbursed. As such, an accrual was not made to these financial statements. The District did not experience a significant decline in revenue or a significant increase in unpaid balances related to the pandemic during fiscal year 2020.
- On March 26, 2020, the District issued \$435,000 of Series 2020 revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. Interest on the bonds is payable semi-annually at 2.67% per annum. Principal payments are due annually on June 1st of each year beginning in 2020 and continuing through 2035. The bonds will be repaid by annual assessments to the owners in the areas that were connected over a 20-year period and will be collected by the county treasurer.

### *Subsequent Events*

- The District continues to be affected by the COVID-19 pandemic with shutoff procedures suspended through September 30, 2020 and late payment and returned check fees suspended through January 1, 2020. Additionally, the District continues to incur costs for emergency protective measures which will be submitted to FEMA for reimbursement, as applicable.
- On September 23, 2020, the District's Board of Commissioners approved a bond resolution providing for the issuance and sale of not exceeding aggregate principal amount of \$10,500,000 general obligation refunding bonds. These Bonds are anticipated to be issued in early November to refund all of the District's outstanding general obligation debt issuances to achieve debt service savings.
- On September 23, 2020, the District's Board of Commissioners approved a "2020B Series Resolution" providing for the issuance and sale of waterworks and sewer system refunding revenue bonds in the aggregate principal amount of not exceeding \$21,000,000. These bonds are anticipated to be issued in early November to restructure the District's Series 2012 A & B, Series 2015 A & B, 2017B SRF Revenue Debt, and Series 2020 FFA Revenue Debt to obtain lower interest rates and restructure annual related debt service payment requirements.

## Financial Analysis of the District

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that shows the District's financial position as a result of this year's operations. These two statements report the net position of the District and year-to-year changes. The District's net position and the difference between deferred outflows and deferred inflows of resources is one way to measure financial health or financial position. Over time, increases or decreases to net position are indicators of whether the District's financial health is improving or deteriorating. However, one must also consider other non-financial factors such as changes in economic conditions, population growth, annexation and new or changed legislation in the evaluation of the District's financial status.

### Condensed Statements of Net Position

The following comparative condensed statements of net position show changes in financial position from previous fiscal years as of June 30, 2020, 2019, and 2018.

**TABLE A-1**  
**Hilton Head Public Service District**  
**Condensed Statements of Net Position**  
**As of June 30, 2020, 2019, and 2018**

As of June 30,	2020	2019	2018	2019 to 2020	%
<b>Assets</b>				Increase (decrease)	
Current assets	\$ 9,005,307	\$ 7,205,863	\$ 7,233,473	\$ 1,799,444	25.0%
Restricted assets	2,570,882	2,412,700	2,425,274	158,182	6.6%
Net Property Plant & Equipment	74,457,407	76,510,537	77,756,658	(2,053,130)	-2.7%
Sewer Assessments, Long-term	2,295,863	1,886,679	2,090,994	409,184	21.7%
<b>Total Assets</b>	<u>88,329,459</u>	<u>88,015,779</u>	<u>89,506,399</u>	<u>313,680</u>	0.4%
<b>Deferred outflows of resources</b>					
Deferred outflows related to pensions	789,558	890,804	1,167,332	(101,246)	-11.4%
Deferred outflows from refunding debt	724,588	981,017	1,237,445	(256,429)	-26.1%
	<u>1,514,146</u>	<u>1,871,821</u>	<u>2,404,777</u>	<u>(357,675)</u>	-19.1%
<b>Total assets and deferred outflows of resources</b>	<u>\$ 89,843,605</u>	<u>\$ 89,887,600</u>	<u>\$ 91,911,176</u>	<u>(43,995)</u>	0.0%
<b>Liabilities</b>					
Current Liabilities	6,229,830	5,974,263	6,470,157	255,567	4.3%
Noncurrent Liabilities, net of amortization	34,296,029	38,336,938	43,206,306	(4,040,909)	-10.5%
<b>Total Liabilities</b>	40,525,859	44,311,201	49,676,463	(3,785,342)	-8.5%
<b>Deferred inflows of resources</b>					
Deferred inflows related to pensions	208,744	399,360	282,842	(190,616)	-47.7%
	<u>40,734,603</u>	<u>44,710,561</u>	<u>49,959,305</u>	<u>(3,975,958)</u>	-8.9%
<b>Net Position</b>					
Net investment in capital assets	41,211,563	39,248,405	36,023,464	1,963,158	5.0%
Restricted for debt service	2,570,882	2,412,700	2,425,274	158,182	6.6%
Unrestricted	5,326,557	3,515,934	3,503,133	1,810,623	51.5%
<b>Total Net Position</b>	<u>49,109,002</u>	<u>45,177,039</u>	<u>41,951,871</u>	<u>3,931,963</u>	8.7%
<b>Total Liabilities and Net Position</b>	<u>\$ 89,843,605</u>	<u>\$ 89,887,600</u>	<u>\$ 91,911,176</u>	<u>\$ (43,995)</u>	0.0%

## Net Position

Changes in net position result from operating and non-operating revenues, expenses and contributions of capital. Net position is classified under the following three components: 1) *net investment in capital assets*; 2) *restricted for debt service*; and 3) *unrestricted net position*.

*Net investment in capital assets*, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds of other restricted cash and investments is excluded from the determination.

*Restricted for debt service* consists of the net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

*Unrestricted net position* consists of all other assets not included in the above categories.

The total net position as of June 30, 2020 was \$49,109,002, representing a \$3,931,963 increase from the prior year. Fiscal year 2019 had an increase in total net position from fiscal year 2018 of \$3,225,168.

### Net Position

Year Ended June 30,	2020	2019	2018
Invested in Capital assets, net	\$ 41,211,563	\$ 39,248,405	\$ 36,023,464
Restricted for capital activity and debt service	2,570,882	2,412,700	2,425,274
Unrestricted	5,326,557	3,515,934	3,503,133
Total Net Position	<u>\$ 49,109,002</u>	<u>\$ 45,177,039</u>	<u>\$ 41,951,871</u>

Of the total net position, \$9,005,307 million are current non-restricted assets available to support short-term operations (see Table A-1, page 23). This current asset balance is \$1,799,444 higher than on June 30, 2019 which is mostly attributable to an increase in cash and cash equivalents.

The decrease in property, plant & equipment is discussed in further detail on the following page. The increase in sewer assessments is related to the issuance of the new front foot assessment debt during fiscal year 2020.

The decrease in noncurrent liabilities, net of amortization is mainly attributable to payments on notes and bonds payable slightly offset by the new front foot assessment debt and an increase in net pension liability.

The increase in net investment in capital assets is related mainly to capital asset activity and payments on related debt made by the District during fiscal year 2020. More detail on the three classifications of net position can be found in Note 17 – Net position on page 68.

## Capital Assets

As of June 30, 2020, the District has invested \$74,457,407 (net of accumulated depreciation) in water and sewer equipment and a broad range of infrastructure as shown in Table A-2 below.

**TABLE A-2**  
**Capital Assets**

Year Ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Capital assets not being depreciated:</b>			
Land	\$ 1,299,194	\$ 1,299,194	\$ 1,299,194
Construction in Progress	<u>57,707</u>	<u>2,802,108</u>	<u>513,974</u>
Total Capital Assets not being depreciated	1,356,901	4,101,302	1,813,168
<b>Capital assets being depreciated:</b>			
Waterworks system	63,597,046	62,857,016	62,546,463
Sewage disposal system	53,523,184	49,073,406	48,736,481
Buildings	4,391,129	4,339,091	4,339,091
Sewage treatment facilities	35,143,163	34,782,963	34,337,603
Transportation equipment	1,319,843	1,317,134	1,282,933
Operations furniture and equipment	1,861,596	1,845,972	2,037,521
Office furniture and equipment	<u>752,734</u>	<u>746,530</u>	<u>778,553</u>
Sub Total	\$ 160,588,695	\$ 154,962,112	\$ 154,058,645
Less Accumulated depreciation	<u>(87,488,189)</u>	<u>(82,552,877)</u>	<u>(78,115,155)</u>
Total capital assets being depreciated, net	<u>73,100,506</u>	<u>72,409,235</u>	<u>75,943,490</u>
Property, Plant and Equipment, net	<u>\$ 74,457,407</u>	<u>\$ 76,510,537</u>	<u>\$ 77,756,658</u>

Net Property Plant & Equipment has decreased \$2,053,130 during fiscal year 2020. During fiscal year 2020, capital additions of \$3,344,543 were offset by depreciation of \$5,044,727. Additionally, \$132,826 of legal and engineering costs mainly related to District funded Master Sewer Plan projects which were originally planned to be done as one large project were reclassified to professional fees as these projects are now anticipated to be completed on a smaller, as needed basis over a number of years whereby specific identification of the accumulated legal and engineering costs for capitalization is not practical and \$220,120 of customer side front foot assessment costs were transferred to assessment receivables with the issuance of the Series 2020 front foot assessment debt. Significant projects/ additions completed during 2020 include:

- Years 3 - 5 of the Master Sewer Plan (funded in partnership with the Town of Hilton Head) project were completed at a total cost of \$2,965,572 of which \$590,414 was expended in fiscal year 2020. Additionally, \$73,979 was spent on PSD funded Master Sewer Plan projects.
- Upgrades and improvements to the District's existing lift stations totaled \$180,991.
- Two new fire hydrants were installed at a cost of \$81,090. This project was done as a part of a partnership with the Town of Hilton Head whereby it contributed \$40,545, which is reported as a developer contribution of systems, towards this project.
- \$406,439 was spent on wastewater treatment plant upgrades and improvements.
- The District repaired and relined the main 42" sewer line on Oak Park Drive at a cost of \$482,008.

- The District continued its meter change out program and \$231,814 of meters were replaced.
- In addition to contributions from the Town of Hilton Head, other private developers contributed \$1,033,052 worth of water and sewer system infrastructure.

More detailed information on capital asset activity can be found in Note 6 - Property, plant, equipment and depreciation on page 49 and Master Sewer Plan Commitments made for capital expenditures can be found in Note 13 – Construction and development commitments / Expansion on page 60.

### *Non-current Liabilities and Debt Administration*

As of June 30, 2020, (see Table A-1, page 23) the District had \$34,296,029 in non-current liabilities as compared to fiscal year end 2019 total of \$38,336,938. More detailed information on long term debt obligations can be found in Note 7– Long term obligations on page 51 and Note 8 – Non-current liabilities on page 56.

Bond covenants require that the District maintain and collect rates and charges which together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. The District’s revenue bonds are secured by the revenues of the District. As shown in the following table, the District is in compliance with the necessary requirements at 183%.

**TABLE A-3  
Coverage of Debt Service**

<b>Year Ended June 30,</b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Net Income(loss) before capital contributions			
per Financial Statements	\$1,403,473	\$11,599	(\$655,130)
Capacity Fees	864,478	878,264	565,672
Add: Depreciation	5,044,727	4,946,397	4,733,613
Net Pension Expense	560,016	382,374	514,614
SCRS Retirement Contributions	(367,120)	(352,212)	(307,158)
Amortization	256,428	256,428	256,428
Bond Issuance Costs	42,056	-	69,609
Interest Expense (Bonds)	841,047	941,525	1,030,789
Assessments - Debt Service	188,409	190,184	190,300
Less: Property Taxes – Debt Service	<u>(1,414,091)</u>	<u>(1,371,933)</u>	<u>(1,441,325)</u>
Net Earnings Available for Debt Service	\$7,419,423	\$5,882,626	\$4,957,414
Debt Service on Revenue Bonds	\$4,048,243	\$4,040,662	\$4,008,312
<b>Coverage of Debt Service by Net Earnings*</b>	<b>183%</b>	<b>146%</b>	<b>124%</b>
<b>Debt Coverage without Capacity Fees</b>	<b>162%</b>	<b>124%</b>	<b>110%</b>

## Statements of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides information regarding the nature and source of these changes as presented below:

**TABLE A-4**  
**Hilton Head PSD**  
**Statement of Revenues, Expenses and Changes in Net Position and Comparison Schedule**

Year Ended June 30,	2020	2019	2018	2019 to		2018 to	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Inc/(Dec)</u>	<u>% Change</u>	<u>Inc/(Dec)</u>	<u>% Change</u>
<b>Operating Revenues</b>							
Operating Revenues	\$ 14,746,939	\$ 13,734,240	\$ 13,125,419	\$ 1,012,699	7.4%	\$ 608,821	4.6%
Total Non-operating Revenues	<u>3,337,562</u>	<u>3,119,933</u>	<u>3,171,736</u>	<u>217,629</u>	<u>7.0%</u>	<u>(51,803)</u>	<u>-1.6%</u>
Total Revenues	<u>18,084,501</u>	<u>16,854,173</u>	<u>16,297,155</u>	<u>1,230,328</u>	<u>7.3%</u>	<u>557,018</u>	<u>3.4%</u>
<b>Departmental Expenses</b>							
Departmental Expenses	10,496,770	10,698,224	10,861,845	(201,454)	-1.9%	(163,621)	-1.5%
Depreciation	5,044,727	4,946,397	4,733,613	(98,330)	-2.0%	212,784	4.5%
Total Non-operating Expenses	<u>1,139,531</u>	<u>1,197,953</u>	<u>1,356,826</u>	<u>58,422</u>	<u>4.9%</u>	<u>(158,873)</u>	<u>-11.7%</u>
Total Expenses	<u>16,681,028</u>	<u>16,842,574</u>	<u>16,952,284</u>	<u>161,546</u>	<u>1.0%</u>	<u>(109,710)</u>	<u>-0.6%</u>
Increase (decrease) in net assets before capital contributions	1,403,473	11,599	(655,129)	1,391,874	11999.9%	666,728	-101.8%
<b>Capital Contributions:</b>							
Water Capacity Fee	294,324	330,960	142,200	(36,636)	-11.1%	188,760	132.7%
Sewer Capacity Fee	570,154	547,304	423,472	22,850	4.2%	123,832	29.2%
Developer Contributions of Systems	1,664,012	2,335,305	4,476,201	(671,293)	-28.7%	(2,140,896)	-47.8%
Sewer Assessments	-	-	410,246	-	0.0%	(410,246)	0.0%
Total Capital Contributions	<u>2,528,490</u>	<u>3,213,569</u>	<u>5,452,119</u>	<u>(685,079)</u>	<u>-21.3%</u>	<u>(2,238,550)</u>	<u>-41.1%</u>
Change in net position	\$ 3,931,963	\$ 3,225,168	\$ 4,796,990	\$ 706,795	21.9%	\$ (1,571,822)	-32.8%
Net position, beginning of the year	<u>45,177,039</u>	<u>\$ 41,951,871</u>	<u>\$ 37,154,881</u>				
Net position, end of year	<u>\$ 49,109,002</u>	<u>\$ 45,177,039</u>	<u>\$ 41,951,871</u>				

## Operating Revenues (Fiscal Year to Year Comparisons)

Operating revenues for fiscal year 2020 total \$14,746,939 which is over 81% of total revenues (operating and non-operating) for the year and is a \$1,012,699, or 7.4% increase from fiscal year 2019. Total operating revenues increased 4.6% or \$608,821 from fiscal year 2018 to fiscal year 2019 which was mostly attributable to increased consumption and a rate increase. Please reference Table A-5 on page 30 for the following operating revenue line items.

- As noted previously, water service revenues increased \$587,196 or 8.2% and sewer service revenues were up \$311,223 or 5.8% compared to last fiscal year due to higher billed water consumption and a water rate increase that went into effect on July 1, 2019. (See the Water Rate Comparison table on page 90 in the Statistical Section of this report). Fiscal year billed water consumption increased 61.8 million gallons, or 3.1%, when compared to last fiscal year.
- Water Tap in fees increased \$59,692 or 33.1% due to more water connections than last fiscal year and an increase in water tap in fees effective July 1, 2019.

- Sewer Connection Fees decreased \$36,319 or 13.0%. There were slightly fewer new sewer connections in fiscal year 2020 versus fiscal year 2019.
- Service fees were \$15,376 or 40.1% lower than last year due to the suspension of late fees and shut-offs related to the COVID pandemic.
- Golf course irrigation revenue was \$26,840 or 14.7% lower compared to last fiscal year due to less demand.
- Availability fees were \$7,412 higher this fiscal year due to master sewer plan additions and the timing of collections.
- Disaster recovery, net includes FEMA reimbursement for Hurricane Matthew appeals as well as Hurricane Dorian emergency protective measures FEMA reimbursements. Fiscal year 2019 includes additional reimbursements and related expenditures that the District received from FEMA for damages associated with Hurricane Matthew.
- Other operating revenues are \$43,151 or 89.4% higher than last year mainly related to the timing of Palmetto Electric capital credit reimbursements.

### *Non-Operating Revenues (Fiscal Year to Year Comparisons)*

Total non-operating revenues were equal to \$3,337,562 for fiscal year 2020 as compared to \$3,119,933 for fiscal year 2019, an increase of \$217,629 or 7.0%. This increase is mainly due additional tower lease income received in fiscal year 2020 associated to a one-time CPI related payment. Additionally, more GO and operating property tax revenue was collected for fiscal year 2020 due to higher taxable assessed values than anticipated. Interest income was also higher than last fiscal year due to higher market interest rates.

### *Departmental Expenses (Fiscal Year to Year Comparisons)*

Total departmental expenses have decreased \$201,454 or 1.9% compared to fiscal year 2019 (See Table A-5, page 37). For fiscal year 2019, departmental expenses decreased \$163,621 or 1.5% compared to fiscal year 2018.

The following expenses increased for fiscal year 2020 when compared to fiscal year 2019.

- Payroll and Related expenses increased \$172,564 or 4.4%. This is mainly related to the \$192,896 non-cash adjustment needed to bring pension expense to the South Carolina Retirement System actuarially determined amount.
- Administrative expenses increased by \$48,743 or 5.1% mainly due to an increase in property insurance premiums.
- Operations expenses increased \$119,086 or 6.9% mainly due to higher chemical, biosolids, and power costs related to higher water consumption.
- ASR operating and maintenance expenses increased by \$375 or 0.9%.
- Professional fees increased by \$215,105 or 169.4% mostly due several years of legal and engineering fees related to District funded master sewer plan projects that were initially

expected to be capitalized into the cost of one large District funded project but were reclassified to expense in fiscal year 2020 when it was determined these projects would be done on an as needed basis over a number of years. Additionally, more was spent in engineering in fiscal year 2020 than fiscal year 2019 on future water supply modeling and groundwater permitting.

The following departmental expense items decreased when compared to the same period last year.

- Maintenance expenses decreased by \$181,187 or 13.7% due to lower effluent system, generator, SCADA, and water/system maintenance than last fiscal year.
- Water tap in expenses decreased by \$19,021 or 11.1% due to lower connection costs incurred.
- Sewer Connection expense decreased \$31,365 or 12.7% mainly due to fewer connections.
- Purchased water expense decreased by \$495,194 or 42.3% which is related to savings associated with repair of a large leak in a 12" water main in June 2019 as a result of a satellite leak detection project that was conducted in response to a water auditing initiative.
- ASR-1 water expense decreased \$564 or 0.3%.
- RO plant expenses decreased \$14,189 or 2.0% due to decreased maintenance costs.
- Vehicle expense decreased by \$15,807 or 14.1% due to decreased fuel and maintenance costs.

### *Non-Operating Expenses (Fiscal Year to Year Comparisons)*

Total non-operating expenses were \$1,139,531 as compared to \$1,197,953 for fiscal year 2019, a decrease of \$58,422 or 4.9%. Bond interest expense decreased by \$100,478 and there were \$42,056 in bond issuance costs associated with the Series 2020 FFA bonds for fiscal year 2020. There were no bond issuance costs for fiscal year 2019.

**TABLE A-5**  
**Hilton Head PSD**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Fiscal Year to Date as of June 30, 2020**  
**(With comparative amounts for the same period in prior fiscal year)**

	FY 2020		FY 2019		FY 2020 to FY 2019	
	Actual	Actual	Dollars	%	Comparison	
					Favorable (Unfavorable)	
<b>Operating Revenues</b>						
Water Service	\$ 7,735,802	\$ 7,148,606	\$ 587,196	8.2%		
Sewer Service	5,719,313	5,408,090	311,223	5.8%		
Tap In Fees - Water	240,179	180,487	59,692	33.1%		
Connection Fees - Sewer	242,418	278,737	(36,319)	-13.0%		
Service Fees	23,015	38,391	(15,376)	-40.1%		
Golf Course Irrigation	155,676	182,516	(26,840)	-14.7%		
Availability Fees	452,602	445,190	7,412	1.7%		
Disaster recovery, net	86,502	3,942	82,560	N/A		
Other Operating Revenues	91,432	48,281	43,151	89.4%		
<b>Total Operating Revenues</b>	<b>14,746,939</b>	<b>13,734,240</b>	<b>1,012,699</b>	<b>7.4%</b>		
<b>Departmental Expenses</b>						
Payroll & Related	4,062,153	3,889,589	(172,564)	-4.4%		
Administrative Expenses	1,006,662	957,919	(48,743)	-5.1%		
Operations	1,855,061	1,735,975	(119,086)	-6.9%		
Maintenance	1,143,332	1,324,519	181,187	13.7%		
Water Tap In Expenses	152,870	171,891	19,021	11.1%		
Sewer Connection Expense	215,867	247,232	31,365	12.7%		
Purchased Water	675,174	1,170,368	495,194	42.3%		
ASR-1 Water	217,007	217,571	564	0.3%		
ASR-1 O&M	41,846	41,471	(375)	-0.9%		
RO Plant O&M	688,297	702,486	14,189	2.0%		
Professional Fees	342,116	127,011	(215,105)	-169.4%		
Vehicle	96,385	112,192	15,807	14.1%		
<b>Total Departmental Expenses</b>	<b>10,496,770</b>	<b>10,698,224</b>	<b>201,454</b>	<b>1.9%</b>		
Depreciation	5,044,727	4,946,397	(98,330)	-2.0%		
<b>Total Operating Expenses</b>	<b>15,541,497</b>	<b>15,644,621</b>	<b>103,124</b>	<b>0.7%</b>		
<b>Operating income (loss)</b>	<b>(794,558)</b>	<b>(1,910,381)</b>	<b>1,115,823</b>	<b>58.4%</b>		
<b>Non-operating revenues</b>						
Property taxes-G.O. Debt Levy	1,414,091	1,371,933	42,158	3.1%		
Property taxes-Operations Levy	1,034,553	1,011,176	23,377	2.3%		
Tower Lease Income	625,067	485,678	139,389	28.7%		
Rental Income	79,758	79,757	1	0.0%		
Interest Income	184,093	156,389	27,704	17.7%		
Gain (Loss) of disposal of equipment	-	15,000	(15,000)	-100.0%		
<b>Total Non-operating Revenues</b>	<b>3,337,562</b>	<b>3,119,933</b>	<b>217,629</b>	<b>7.0%</b>		
<b>Non-operating Expenses</b>						
Interest expense-Bonds	841,047	941,525	100,478	10.7%		
Bond Defeasance Amortization	256,428	256,428	-	-		
Bond Issuance Costs	42,056	-	(42,056)	100%		
<b>Total Non-operating Expenses</b>	<b>1,139,531</b>	<b>1,197,953</b>	<b>58,422</b>	<b>4.9%</b>		
<b>Total Non-operating Revenues/Exp.</b>	<b>2,198,031</b>	<b>1,921,980</b>	<b>276,051</b>	<b>14.4%</b>		
<b>Increase (decrease) in net position,</b>						
<b>before capital contributions</b>	<b>1,403,473</b>	<b>11,599</b>	<b>1,391,874</b>	<b>12000.2%</b>		
Water Capacity Fee	<b>294,324</b>	330,960	(36,636)	-11.1%		
Sewer Capacity Fee	<b>570,154</b>	547,304	(22,850)	-4.1%		
Developer Contributions of Systems	<b>1,664,012</b>	2,335,305	(671,293)	-28.8%		
<b>Total Capital Contributions</b>	<b>2,528,490</b>	<b>3,213,569</b>	<b>(685,079)</b>	<b>-21.3%</b>		
<b>Change in net position</b>	<b>\$ 3,931,963</b>	<b>\$ 3,225,168</b>	<b>\$ 706,795</b>	<b>21.9%</b>		
<b>Net position, beginning of the year</b>	<b>\$ 45,177,039</b>	<b>41,951,871</b>				
<b>Net position, end of year</b>	<b>\$ 49,109,002</b>	<b>\$ 45,177,039</b>				

***Water and Sewer Revenues/Expenses: Fiscal Year 2020 vs. Fiscal Year 2019***

(Please reference Table A-6, page 32)

**Water Revenues and Related Expenses:**

- For fiscal year 2020, total water operating revenues have increased \$706,996 or 9.5% compared to fiscal year 2019.
- Water departmental expenses decreased \$366,485 or 6.3%. Departmental expenses are explained in more detail on pages 32 and 33.
- Water operating income for fiscal year 2020 is \$464,862 compared to the fiscal year 2019 loss of \$564,371. A difference of \$1,029,233.

**Sewer Revenues and Related Expenses:**

- For fiscal year 2020, sewer and related operating revenues have increased \$305,703 or 4.9% compared to fiscal year 2019.
- Sewer departmental expenses increased \$165,031 or 3.4%. Departmental expenses are explained in more detail on page 32 and 33.
- Sewer operating loss for fiscal year 2020 is \$1,259,420 compared to the fiscal year 2019 loss of \$1,346,010. A difference of \$86,590.

**TABLE A-6**  
**Hilton Head PSD**  
**Water vs. Sewer Fiscal Year to Year Comparison Schedule**  
**Fiscal Year to Date as of June 30, 2020**  
(With comparative amounts for the same period in prior fiscal year)

	FY 2020		FY 2019		FY 2020 to FY 2019	
					Comparison	
	Actual	Actual	Dollars	%	Favorable (Unfavorable)	
<b>Operating Revenues</b>						
<b>Water</b>						
Service	\$ 7,735,802	\$ 7,148,606	\$ 587,196	8.2%		
Tap In Fees	240,179	180,487	59,692	33.1%		
Service Fees	12,198	20,347	(8,149)	-40.1%		
Availability Fees	99,572	97,942	1,631	1.7%		
Disaster recovery, net	45,846	2,089	43,757	2094.4%		
Other Operating Revenues	48,459	25,589	22,870	89.4%		
<b>Total Water Operating Revenues</b>	<b>8,182,056</b>	<b>7,475,060</b>	<b>706,996</b>	<b>9.5%</b>		
<b>Sewer</b>						
Service	5,719,313	5,408,090	311,223	5.8%		
Connection Fees	242,418	278,737	(36,319)	-13.0%		
Service Fees	10,817	18,044	(7,227)	-40.1%		
Availability Fees	353,030	347,248	5,781	1.7%		
Golf Course Irrigation	155,676	182,516	(26,840)	-14.7%		
Disaster recovery, net	40,656	1,853	38,803	2094.4%		
Other Operating Revenues	42,973	22,692	20,281	89.4%		
<b>Total Sewer Operating Revenues</b>	<b>6,564,883</b>	<b>6,259,180</b>	<b>305,703</b>	<b>4.9%</b>		
<b>Total Operating Revenues</b>	<b>14,746,939</b>	<b>13,734,240</b>	<b>1,012,699</b>	<b>7.4%</b>		
<b>Departmental Expenses</b>						
<b>Water</b>						
Payroll & Related	1,868,590	1,789,211	(79,379)	-4.4%		
Administrative Expenses	533,531	507,697	(25,834)	-5.1%		
Operations	519,417	486,073	(33,344)	-6.9%		
Maintenance	517,929	600,007	82,078	13.7%		
Water Tap in Expense	152,870	171,891	19,021	11.1%		
Purchased Water	675,174	1,170,368	495,194	42.3%		
ASR-1 Water	217,007	217,571	564	0.3%		
ASR-1 O&M	41,846	41,471	(375)	-0.9%		
RO Plant O&M	688,297	702,486	14,189	2.0%		
Professional Fees	181,321	67,316	(114,006)	-169.4%		
Vehicle	51,084	59,462	8,378	14.1%		
<b>Total Water Departmental Expenses</b>	<b>5,447,067</b>	<b>5,813,553</b>	<b>366,485</b>	<b>6.3%</b>		
<b>Sewer</b>						
Payroll & Related	2,193,563	2,100,378	(93,185)	-4.4%		
Administrative	473,131	450,222	(22,909)	-5.1%		
Operations	1,335,644	1,249,902	(85,742)	-6.9%		
Maintenance	625,403	724,512	99,109	13.7%		
Sewer Connection Expense	215,867	247,232	31,365	12.7%		
Professional Fees	160,795	59,695	(101,099)	-169.4%		
Vehicle	45,301	52,730	7,429	14.1%		
<b>Total Sewer Departmental Expense</b>	<b>5,049,703</b>	<b>4,884,671</b>	<b>(165,031)</b>	<b>-3.4%</b>		
<b>Operating Expenses before depreciation</b>	<b>10,496,770</b>	<b>10,698,224</b>	<b>201,454</b>	<b>1.9%</b>		
Depreciation - Water	2,270,127	2,225,879	(44,249)	-2.0%		
Depreciation - Sewer	2,774,600	2,720,518	(54,082)	-2.0%		
<b>Total Operating Expenses</b>	<b>15,541,497</b>	<b>15,644,621</b>	<b>(98,330)</b>	<b>-0.6%</b>		
<b>Water Operating income (loss)</b>	<b>464,862</b>	<b>(564,371)</b>	<b>1,029,233</b>	<b>182.4%</b>		
<b>Sewer Operating income (loss)</b>	<b>(1,259,420)</b>	<b>(1,346,010)</b>	<b>86,590</b>	<b>6.4%</b>		
<b>Total Operating income (loss)</b>	<b>(794,558)</b>	<b>(1,910,381)</b>	<b>1,115,823</b>	<b>58.4%</b>		
Non-operating revenues (expenses), net	2,198,031	1,921,980	276,051	-14.4%		
<b>Increase (decrease) in net position,</b>						
<b>before capital contributions</b>	<b>1,403,473</b>	<b>11,599</b>	<b>1,391,874</b>	<b>-12000.0%</b>		
<b>Capital Contributions</b>	<b>2,528,490</b>	<b>3,213,569</b>	<b>(685,079)</b>	<b>-21.3%</b>		
Change in net position	\$ 3,931,963	\$ 3,225,168	\$ 706,795	21.9%		
<b>Net position, beginning of the year</b>	<b>\$ 45,177,039</b>	<b>\$ 41,951,871</b>	<b>\$ 3,225,168</b>	<b>7.7%</b>		
<b>Net position, end of year</b>	<b>\$ 49,109,002</b>	<b>\$ 45,177,039</b>	<b>\$ 3,931,963</b>	<b>8.7%</b>		

## **CONTACTING THE DISTRICT'S FINANCE MANAGER**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Manager, P.O. Box 21264, Hilton Head Island, SC 29925. The District's website can be found at [www.hhpsd.com](http://www.hhpsd.com).

# **AUDITED FINANCIAL STATEMENTS**

**For Fiscal Years Ended June 30, 2020 and June 30, 2019**

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**STATEMENTS OF NET POSITION**  
AS OF JUNE 30, 2020 AND 2019

	June 30	
	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents Available for Operations	\$ 6,404,660	\$ 4,361,258
Cash and Cash Equivalents in Banks (Restricted)	1,890,813	1,747,324
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	680,069	665,376
Accounts Receivable - Trade, net	1,696,589	1,883,879
Accounts Receivable - Project SAFE	31,254	74,100
Accounts Receivable - Tower Lease	30,919	29,552
Sewer and Capacity Assessments, due within one year	204,454	198,124
Inventory	372,286	358,138
Prepaid Expenses	265,145	300,812
<b>Total current assets</b>	<b>11,576,189</b>	<b>9,618,563</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Nondepreciable Assets	1,356,901	4,101,302
Depreciable Assets, net	73,100,506	72,409,235
<b>Total Property, Plant and Equipment</b>	<b>74,457,407</b>	<b>76,510,537</b>
Sewer and Capacity Assessments, due after one year	2,295,863	1,886,679
<b>Total Noncurrent Assets</b>	<b>76,753,270</b>	<b>78,397,216</b>
<b>Total Assets</b>	<b>88,329,459</b>	<b>88,015,779</b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	789,558	890,804
Deferred Outflows from Refinancing Debt	724,588	981,017
<b>Total Deferred Outflows of Resources</b>	<b>1,514,146</b>	<b>1,871,821</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 89,843,605</b>	<b>\$ 89,887,600</b>

The accompanying notes are an integral part of these financial statements.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**STATEMENTS OF NET POSITION (Continued)**  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30	
	2020	2019
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 401,813	\$ 267,069
Accounts Payable-Construction	104,990	196,162
Notes Payable, due within one year	18,000	18,000
Customer Deposits	157,500	151,555
Unearned Revenue	234,825	216,859
Other Accrued Liabilities	408,970	340,640
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>1,326,098</b>	<b>1,190,285</b>
Payable from Restricted Assets:		
Interest Payable	172,199	194,075
Notes Payable, due within one year	529,416	519,632
Bonds Payable, due within one year	4,202,117	4,070,271
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>4,903,732</b>	<b>4,783,978</b>
<b>Total Current Liabilities</b>	<b>6,229,830</b>	<b>5,974,263</b>
<b>Noncurrent Liabilities</b>		
Bonds Payable, due after one year	21,843,353	25,619,111
Notes Payable, due after one year	7,272,556	7,819,973
Net Pension Liability	5,180,120	4,897,854
<b>Total Noncurrent Liabilities</b>	<b>34,296,029</b>	<b>38,336,938</b>
<b>Total Liabilities</b>	<b>40,525,859</b>	<b>44,311,201</b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Pensions	208,744	399,360
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>40,734,603</b>	<b>44,710,561</b>
<b>Net Position</b>		
Net Investment in Capital Assets	41,211,563	39,248,405
Restricted for Debt Service	2,570,882	2,412,700
Unrestricted	5,326,557	3,515,934
<b>Total Net Position</b>	<b>49,109,002</b>	<b>45,177,039</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<b>\$ 89,843,605</b>	<b>\$ 89,887,600</b>

The accompanying notes are an integral part of these financial statements.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<b>Fiscal Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>		
Water Service	\$ 7,735,802	\$ 7,148,606
Sewer Service	5,719,313	5,408,090
Water Tap In Fees	240,179	180,487
Sewer Connection Fees	242,418	278,737
Service Fees	23,015	38,391
Golf Course Irrigation	155,676	182,516
Availability Fees	452,602	445,190
Disaster Recovery, net	86,502	3,942
Other Operating Revenues	91,432	48,281
<b>Total Operating Revenues</b>	<b>14,746,939</b>	<b>13,734,240</b>
<b>Departmental Expenses</b>		
Payroll & Related Expenses	4,062,153	3,889,589
Administrative Expenses	1,006,662	957,919
Operations Expenses	1,855,061	1,735,975
Maintenance Expenses	1,143,332	1,324,519
Water Tap In Expenses	152,870	171,891
Sewer Connection Expenses	215,867	247,232
Purchased Water	675,174	1,170,368
ASR Water Expense	217,007	217,571
ASR Plant Expenses	41,846	41,471
RO Plant Expenses	688,297	702,486
Professional Fees	342,116	127,011
Vehicle Expenses	96,385	112,192
<b>Total Departmental Expenses</b>	<b>10,496,770</b>	<b>10,698,224</b>
Depreciation	5,044,727	4,946,397
<b>Total Operating Expenses</b>	<b>15,541,497</b>	<b>15,644,621</b>
<b>Operating Income (Loss)</b>	<b>(794,558)</b>	<b>(1,910,381)</b>
<b>Non-operating Revenues</b>		
Property Taxes - G.O. Debt Levy	1,414,091	1,371,933
Property Taxes - Operations Levy	1,034,553	1,011,176
Tower Lease Income	625,067	485,678
Rental Income	79,758	79,757
Interest Income	184,093	156,389
Gain on Disposal of Assets	-	15,000
<b>Total Non-operating Revenues</b>	<b>\$ 3,337,562</b>	<b>\$ 3,119,933</b>

The accompanying notes are an integral part of these financial statements.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)**  
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<b>Fiscal Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Non-operating Expenses</b>		
Interest Expense	\$ 841,047	\$ 941,525
Bond Defeasance Amortization	256,428	256,428
Bond Issuance Costs	42,056	-
<b>Total Non-operating Expenses</b>	<b>1,139,531</b>	<b>1,197,953</b>
<b>Total Non-operating Revenues/Expenses</b>	<b>2,198,031</b>	<b>1,921,980</b>
<b>Increase (Decrease) in Net Position, Before Capital Contributions</b>	<b>\$ 1,403,473</b>	<b>\$ 11,599</b>
Water Capacity Fee	\$ 294,324	\$ 330,960
Sewer Capacity Fee	570,154	547,304
Developer Contributions of Systems	1,664,012	2,335,305
<b>Total Capital Contributions</b>	<b>2,528,490</b>	<b>3,213,569</b>
<b>Change in net position</b>	<b>3,931,963</b>	<b>3,225,168</b>
<b>Net position, beginning of the year</b>	<b>45,177,039</b>	<b>41,951,871</b>
<b>Net position, end of year</b>	<b>\$ 49,109,002</b>	<b>\$ 45,177,039</b>

The accompanying notes are an integral part of these financial statements.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**STATEMENTS OF CASH FLOW**  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<b>Fiscal Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 14,805,086	\$ 13,797,775
Cash Paid to Suppliers	(7,392,346)	(8,232,482)
Cash Paid to Employees	(2,686,935)	(2,748,378)
Other Revenues	177,934	70,833
<b>Net Cash Provided by Operating Activities</b>	<b>4,903,739</b>	<b>2,887,748</b>
<b>Cash Flows from Investing Activities</b>		
Interest Income	184,093	156,389
<b>Net Cash Provided by Investing Activities</b>	<b>184,093</b>	<b>156,389</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Property Taxes Collected - Operations Levy	1,034,553	1,011,176
Rental and Tower Lease Income	721,423	479,940
Sewer Assessments Collected	131,826	141,806
Sewer Assessments Financed	(170,403)	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,717,399</b>	<b>1,632,922</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capacity Fees	651,078	878,264
Capacity Fee Assessments	56,583	48,379
Property Taxes Collected - G.O. Debt Levy	1,414,091	1,371,933
Interest Paid	(871,564)	(970,946)
Proceeds from Series 2020 FFA Bonds	435,000	-
Proceeds from Series 2017 B SRF Note	-	110,063
Bond Issuance Costs	(42,056)	-
Principal Payments on Bonds and Notes	(4,607,903)	(4,502,391)
Proceeds from Sale of Assets	-	15,000
Purchases of Property, Plant and Equipment	(1,638,875)	(1,691,491)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(4,603,646)</b>	<b>(4,741,189)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>2,201,585</b>	<b>(64,130)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>\$ 6,773,958</b>	<b>\$ 6,838,088</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,975,542</b>	<b>\$ 6,773,958</b>

The accompanying notes are an integral part of these financial statements.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**STATEMENTS OF CASH FLOW (continued)**  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<b>Fiscal Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Reconciliation of Operating Loss to Net Cash Provided</b>		
<b>by Operating Activities:</b>		
Operating Loss	\$ (794,558)	\$ (1,910,381)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided</i>		
<i>by Operating Activities:</i>		
Depreciation	5,044,727	4,946,397
Difference Between GASB 68 and Actual Contributions	192,896	30,162
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	187,290	138,851
Accounts Receivable - Project SAFE	42,846	(16,243)
Disaster Recovery Insurance Receivable	-	18,610
Inventories	(14,148)	(33,655)
Prepaid Assets	35,667	(87,827)
Accounts Payable - Trade	134,744	(123,968)
Customer Deposits	5,945	(6,850)
Other Accrued Liabilities	68,330	(67,348)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 4,903,739</b>	<b>\$ 2,887,748</b>

**Schedule of Cash and Cash Equivalents**

*Available for Operations*

Demand Deposits (interest and non-interest bearing)	\$ 1,814,499	\$ 1,331,405
SC Local Government Investment Pool	4,547,817	\$ 2,988,689
Held by Beaufort County Treasurer	42,344	41,164
<b>Total Available for Operations</b>	<b>\$ 6,404,660</b>	<b>\$ 4,361,258</b>

*Restricted*

Cash in Banks	\$ 1,890,813	\$ 1,747,324
Held by Beaufort County Treasurer	680,069	665,376
<b>Total Restricted</b>	<b>\$ 2,570,882</b>	<b>\$ 2,412,700</b>

<b>Total Cash and Cash Equivalents</b>	<b>\$ 8,975,542</b>	<b>\$ 6,773,958</b>
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**Supplemental Disclosures**

*Noncash Financing Activities:*

Developer Contribution of Systems	\$ 1,664,012	\$ 2,335,305
Financed Tap Fees	\$ 30,470	\$ -
Financed Capacity Fees	\$ 213,400	\$ -

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2020 AND 2019

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**Note 1 - Summary of significant accounting policies**

**General**

The Hilton Head No. 1 Public Service District was established in November of 1969. Its purpose is to provide water and sewer services to the public within designated boundaries.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

The District has implemented the provisions of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and thus applied all applicable GASB pronouncements. These GASB statements require the presentation of Management's Discussion and Analysis which precedes the financial statements, in addition to several changes to the financial statements such as: 1) the classification of the equity section of the statement of net position into net position with categories of net investment in capital assets, restricted, and unrestricted; 2) the statement of revenues, expenses and changes in net position formatted to report changes in net position in lieu of changes in retained earnings; and 3) additional note disclosures to the financial statements.

In 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and identifies net position as the residual of all other elements presented in a statement of financial position. GASB defines a *deferred outflow of resources* as a consumption of net position by a government that is applicable to a future reporting period and a *deferred inflow of resources* as an acquisition of net position by a government that is applicable to a future reporting period.

**Fund accounting**

The accounts of the District are organized on the basis of a proprietary fund type - enterprise fund. The fund is accounted for by a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenses. The fund is established to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent is to provide goods and services to the general public on a continuing basis, financed and recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues are charges to customers for sales and services provided to them. The District also recognizes as operating income tap fees, availability fees, and other revenues related to operations. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2020 AND 2019

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**Note 1 - Summary of significant accounting policies (continued)**

**Net position**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for debt service; and unrestricted.

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds of other restricted cash and investments is excluded from the determination. Restricted for debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**Basis of accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Property taxes and availability charges are recognized when collected by the Beaufort County Treasurer.

Fees and payments due under developer contracts are treated as capital contributions and are recognized in the period received. Tap fees and connection fees are recognized as income in the period the customer connects to the system.

**Cash and cash equivalents**

Cash and cash equivalents, for the purposes of the Statement of Cash Flows, include restricted and unrestricted cash on hand or on deposit, certain bank money market funds, interests in the South Carolina Local Government Investment Pool, repurchase agreements, and investments with an original maturity of three months or less.

**Accounts receivable, allowance for doubtful accounts and bad debt expense**

The District carries accounts receivable at cost less an allowance for doubtful accounts which is based on historical collection experience and approximates 0.356% of water and sewer revenues for the years ended June 30, 2020 and 2019. Management charges off to expense any balances that are determined to be uncollectible. At June 30, 2020 and 2019, the balance of the allowance for doubtful accounts was \$42,054. Bad debt expense for the years ended June 30, 2020 and 2019 was \$13,577 and \$16,303, respectively.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 1 - Summary of significant accounting policies (continued)

#### Inventory

Inventory consists of supplies and is recorded at cost on a weighted average cost basis.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost when constructed or purchased. Assets contributed to the District by developers are capitalized at the developers' cost to construct the water and sewer system. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition cost rather than fair value. Betterments and improvements over \$1,000 which extend the useful life of an asset are capitalized and depreciated over their estimated useful life. Depreciation of all property, plant and equipment is provided by the straight-line method and estimated useful lives of assets in service are as follows:

<u>Description</u>	<u>(in years)</u>
Waterworks system	5-50
Sewage disposal system	5-40
Building	40
Sewage treatment facilities	5-40
Transportation equipment	5
Operations furniture and equipment	3-7
Office furniture and equipment	4-10

Repairs and maintenance are charged to expense as incurred.

#### Bond discount and premium

The 2007 general obligation bonds included two series of bonds, one issued at a premium of \$108,661 and one issued at a discount of \$8,471. The 2010 revenue bonds included two maturities of bonds, one issued at a premium of \$126,097 and one issued at a discount of \$66,931. Sixty-seven percent of the unamortized portion of the premium and discount was written off as a part of deferred outflows of debt refunding when sixty-seven percent of the bonds were refunded in September 2015. The 2010 general obligation bonds included two maturities of bonds, one issued at a premium of \$53,282 and one issued at a discount of \$36,097. The net unamortized bond premium at June 30, 2020 and 2019 was \$46,210 and \$54,851, respectively, which is included as a direct deduction from bonds payable, net of current portion on the statements of net position. Bond discount and premium amortization totaled \$8,641 for the years ended June 30, 2020 and 2019 and is included as a reduction in interest expense on the statements of revenues, expenses and changes in net position.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2020 AND 2019

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**Note 1 - Summary of significant accounting policies (continued)**

**Compensated absences**

The District accounts for compensated absences by accruing a liability for future absences according to the guidelines of GASB Statement No. 16, *Accounting for Compensated Absences*, which amounted to \$278,356 and \$239,760 at June 30, 2020 and 2019, respectively. These balances are expected to be used within one year and are therefore included in Other Accrued Liabilities in the Statement of Net Position.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification**

Certain accounts and amounts in the June 30, 2019 financial statements have been reclassified in order to conform to the June 30, 2020 presentation.

**Date of Management's Review**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 12, 2020, the date that the financial statements were available to be issued.

**Note 2 - Cash, cash equivalents and investments**

At June 30, 2020, the bank balances of the District's demand deposit accounts totaled \$1,664,301 and had a carrying balance totaling \$1,814,099. A sum of \$400 is held in petty cash funds of the District.

Custodial credit risk for deposits is the risk that, in the event of failure of a financial institution, the District's deposits may not be returned. The District's policy is to request collateral for all bank deposits in excess of amounts of up to \$250,000 per custodian with major banking institutions which are insured by the Federal Deposit Insurance Corporation. As of June 30, 2020, the District's deposits were fully collateralized and thus were not exposed to custodial credit risk.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 2 – Cash, cash equivalents and investments (continued)**

Custodial credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. The District's investment policy limits investments to those that are very creditworthy. Investments at June 30, 2020 and 2019, were respectively comprised of \$4,547,817 and \$2,988,689 in funds held with the South Carolina Local Government Investment Pool (SCLGIP) and \$1,890,813 and \$1,747,324 restricted funds for debt service. At June 30, 2020 and 2019, the District's restricted funds for debt service were all in Standard and Poor's AAAM rated money market funds collateralized by U.S. Treasury obligations.

SCLGIP investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and as amended by GASB Statement No. 72, *Fair Value Measurement and Application*, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing to the Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960. The Pool is not rated.

As of June 30, 2020 and 2019, all investments of the District were redeemable on demand without penalty and are, therefore, classified as cash and cash equivalents.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The District's investment policy does not address this risk.

### **Investment Policy**

The District's cash management program seeks to achieve three objectives with regards to investments: safety of principal, adequate liquidity to meet daily cash needs, and a reasonable yield commensurate with the preservation of principal and liquidity. The following investment strategy has been designed to accomplish these objectives:

1. The District will invest in very creditworthy, highly liquid investments with maturities of one year or less and in intermediate-term securities of high credit quality with maturities no greater than five years. The District will only invest in those securities specified under South Carolina Code Section 6-5-10. These include collateralized money market accounts and certificates of deposits, U.S. Treasury Bills and Notes, high quality obligations of certain U.S. agencies and instrumentalities, and the local government investment pool.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 2 – Cash, cash equivalents and investments (continued)**

2. The primary objective of all District investment activity is the preservation of capital and safety of principal. Each investment transaction shall ensure that capital losses are avoided, whether from security default, sale of instruments prior to maturity or erosion of market value.
  
3. At all times, the District shall remain sufficiently liquid to meet cash flow requirements by matching investment maturities with forecasted cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. There may be times when the District has more or less of its funds in particular investment vehicles due to cash flow needs, prevailing market conditions, and other factors. Analyzing monthly financial reports in conjunction with prevailing market conditions serve as a general guideline for making investment decisions. In this way, the portfolio will be able to take advantage of rising interest rates by re-investing maturing securities at higher yields. In falling rate environments, it will profit from having investments that were made at higher rates. Following this discipline ensures that the District will always have sufficient cash available for daily needs, preserve its principal, and earn a competitive yield without assuming unacceptable risks.

**Note 3 - Cash held by the Beaufort County Treasurer**

Cash held by the Beaufort County Treasurer (the Treasurer) includes the remaining proceeds of the general obligation bond issues, property tax collections and interest earned on monies held by the Treasurer. The deposits are a pool of funds invested by the pool for the entities which receive property taxes from the Treasurer. As such, collateral is not identified for each deposit, but rather for the fund as a whole. The pool is not rated. These deposits are collateralized by cash or governmental agency securities, which are fully guaranteed as to principal and interest by the federal government. Additional information on Beaufort County’s cash and investment policies and holdings can be found in their annual financial report which is available at [www.bcgov.net](http://www.bcgov.net). The funds will be used as follows:

	As of June 30,	
	2020	2019
Unrestricted cash - Available for general operating purposes	\$ 42,344	\$ 41,164
Restricted cash - Bond principal retirement and interest payments	680,069	665,376
	\$ 722,413	\$ 706,540

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2020 AND 2019

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**Note 4 - Restricted Assets**

A reserve fund for debt service is mandated by bond covenants. At June 30, 2020 and 2019, the debt service reserves totaled \$2,570,882 and \$2,412,700, respectively. The District also holds funds, as mandated by bond covenants, for operation and maintenance, and depreciation and contingencies. The operating and maintenance fund is intended to provide for the payment of the operations and maintenance expenses. The depreciation and contingency fund is intended to provide a reasonable reserve for the depreciation of the system, for contingencies and for improvements, betterment and extensions of the system.

**Note 5 - Accounts receivable**

Current trade accounts receivable includes the following as of June 30:

	<u>2020</u>	<u>2019</u>
Receivables from customers	\$ 1,082,747	\$ 1,239,642
Unbilled receivables from customers	602,232	537,620
Other receivables	<u>11,610</u>	<u>106,617</u>
	<u>\$ 1,696,589</u>	<u>\$ 1,883,879</u>

Project SAFE accounts receivable represent amounts due from the Community Foundation of the Lowcountry (CFLC) which operates programs called the Water Fund and Project SAFE that provide grants for low- and moderate-income homeowners to connect to the public water and sewer system, respectively. The District provides funding to the CFLC in the form of Bucks for a Better Island, a program that rounds up customer bills to the next highest dollar.

Receivables from customers are reported net of an allowance for doubtful accounts of \$42,054 for both June 30, 2020 and 2019.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 6 - Property, plant, equipment and depreciation**

Capital asset activity during the year ended June 30, 2020 and 2019 was as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2020</u>
<b><u>Capital assets not being depreciated:</u></b>					
Land	\$ 1,299,194	\$ -	\$ -	-	\$ 1,299,194
Construction in progress	<u>2,802,108</u>	<u>1,050,457</u>	<u>-</u>	<u>(3,794,858)</u>	<u>57,707</u>
Total capital assets not being depreciated	<u>4,101,302</u>	<u>1,050,457</u>	<u>-</u>	<u>(3,794,858)</u>	<u>1,356,901</u>
<b><u>Capital assets being depreciated:</u></b>					
Waterworks system	62,857,016	490,029	-	250,001	63,597,046
Sewage disposal system	49,073,406	1,257,867	-	3,191,911	53,523,184
Buildings	4,339,091	52,038	-	-	4,391,129
Sewage treatment facilities	34,782,963	360,200	-	-	35,143,163
Transportation equipment	1,317,134	112,124	(109,415)	-	1,319,843
Operations furniture and equipment	1,845,972	15,624	-	-	1,861,596
Office furniture and equipment	<u>746,530</u>	<u>6,204</u>	<u>-</u>	<u>-</u>	<u>752,734</u>
Total capital assets being depreciated	<u>154,962,112</u>	<u>2,294,086</u>	<u>(109,415)</u>	<u>3,441,912</u>	<u>160,588,695</u>
<b><u>Less accumulated depreciation for:</u></b>					
Waterworks system	(34,467,410)	(2,178,264)	-	-	(36,645,674)
Sewage disposal system	(19,071,340)	(1,806,884)	-	-	(20,878,224)
Buildings	(2,213,611)	(112,840)	-	-	(2,326,451)
Sewage treatment facilities	(23,797,324)	(764,533)	-	-	(24,561,857)
Transportation equipment	(930,986)	(111,173)	109,415	-	(932,744)
Operations furniture and equipment	(1,385,412)	(48,554)	-	-	(1,433,966)
Office furniture and equipment	<u>(686,795)</u>	<u>(22,479)</u>	<u>-</u>	<u>-</u>	<u>(709,274)</u>
Total accumulated depreciation	<u>(82,552,877)</u>	<u>(5,044,727)</u>	<u>109,415</u>	<u>-</u>	<u>(87,488,189)</u>
Total assets being depreciated	<u>72,409,235</u>	<u>(2,750,641)</u>	<u>-</u>	<u>3,441,912</u>	<u>73,100,506</u>
Year End Totals	<u>\$ 76,510,537</u>	<u>\$ (1,700,184)</u>	<u>\$ -</u>	<u>\$ (352,946)</u>	<u>\$ 74,457,407</u>

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 6 - Property, plant, equipment and depreciation (continued)**

	June 30, 2018	Additions	Disposals	Transfers	June 30, 2019
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,299,194	\$ -	\$ -	-	\$ 1,299,194
Construction in progress	<u>513,974</u>	<u>2,974,589</u>	<u>-</u>	<u>(686,455)</u>	<u>2,802,108</u>
Total capital assets not being depreciated	<u>1,813,168</u>	<u>2,974,589</u>	<u>-</u>	<u>(686,455)</u>	<u>4,101,302</u>
<u>Capital assets being depreciated:</u>					
Waterworks system	62,546,463	199,372	(81,808)	192,989	62,857,016
Sewage disposal system	48,736,481	172,469	(77,477)	241,933	49,073,406
Buildings	4,339,091	-	-	-	4,339,091
Sewage treatment facilities	34,337,603	225,325	(31,498)	251,533	34,782,963
Transportation equipment	1,282,933	104,487	(70,286)	-	1,317,134
Operations furniture and equipment	2,037,521	20,425	(211,974)	-	1,845,972
Office furniture and equipment	<u>778,553</u>	<u>3,609</u>	<u>(35,632)</u>	<u>-</u>	<u>746,530</u>
Total capital assets being depreciated	<u>154,058,645</u>	<u>725,687</u>	<u>(508,675)</u>	<u>686,455</u>	<u>154,962,112</u>
<u>Less accumulated depreciation for:</u>					
Waterworks system	(32,397,066)	(2,152,152)	81,808	-	(34,467,410)
Sewage disposal system	(17,409,712)	(1,739,105)	77,477	-	(19,071,340)
Buildings	(2,100,793)	(112,818)	-	-	(2,213,611)
Sewage treatment facilities	(23,077,254)	(751,568)	31,498	-	(23,797,324)
Transportation equipment	(901,250)	(100,022)	70,286	-	(930,986)
Operations furniture and equipment	(1,543,167)	(54,219)	211,974	-	(1,385,412)
Office furniture and equipment	<u>(685,913)</u>	<u>(36,514)</u>	<u>35,632</u>	<u>-</u>	<u>(686,795)</u>
Total accumulated depreciation	<u>(78,115,155)</u>	<u>(4,946,397)</u>	<u>508,675</u>	<u>-</u>	<u>(82,552,877)</u>
Total assets being depreciated	<u>75,943,490</u>	<u>(4,220,710)</u>	<u>-</u>	<u>686,455</u>	<u>72,409,235</u>
Year End Totals	<u>\$ 77,756,658</u>	<u>\$ (1,246,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,510,537</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$5,044,727 and \$4,946,397, respectively. Transfers relate to construction in progress completed during the year. Additionally, during the fiscal year ended June 30, 2020, the District transferred \$132,826 of engineering and legal fees mainly related to District funded Master Sewer Plan projects that had been accumulated in construction in process to professional fees on the Statement of Revenues, Expenses, and Changes in Net Position when it determined that these projects would not be completed as one large project as originally planned. These projects are now planned to be completed individually over a number of years whereby the accumulated professional fees would not be specifically identifiable. During fiscal year 2020, the District also transferred \$220,120 of customer side front foot assessment costs to long term assessment receivables in relation to the issuance of the Series 2020 front foot assessment debt.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 7 – Long-term obligations

Long-term debt includes various bonds, loans, and notes payable that have been issued or approved by the District for the improvement or acquisition of water and wastewater infrastructure, and defeasance of outstanding debt. General covenants, along with debt service requirements, are disclosed below. See Note 4, restricted assets, for a discussion of cash restricted for debt service.

Revenue bonds and State Revolving Loans payable are collateralized by an irrevocable pledge of income and revenues derived from the operations of the systems and are secured by a lien upon those revenues. The District's debt instruments contain various covenants and restrictions, which amount other things, require the District to provide certain financial information and meet certain financial tests. The District's bond resolutions require that the "net earnings" (as defined in the bond resolution) are equal to at least 120% of the annual principal and interest requirements of all series of revenue parity bonds outstanding in that year. For the years ended June 30, 2020 and 2019, the District's "net earnings" were 183% and 146%, respectively, of its annual principal and interest requirements of all series of revenue parity bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the District and are generally limited to 8% of the assessed value of all taxable property of the District.

Each of the District's outstanding debt issues are either direct borrowings/placements ("DBP") or publicly traded ("PT"). The District's DBP debt generally contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the District is unable to make a payment and (b) lender could exercise its option to demand return of the financed assets.

### Notes payable – Revenue/Other – DBP

The District is obligated under a note dated November 30, 1988, with a balance of \$43,939 and \$61,939 at June 30, 2020 and 2019, respectively, payable to the South Carolina Jobs-Economic Authority (Authority). The proceeds of the note were for expansion of water lines within the District. The note is without interest, payable at \$1,500 per month. Since this obligation was acquired pursuant to the purchase of an existing utility system, the Authority may have the right to renegotiate the terms of the note, including the interest rate and maturity date. This note is not part of parity debt and is excluded from the debt coverage calculation.

On July 23, 2014, the District signed a promissory note to the South Carolina Water Quality Revolving Fund Authority. The total proceeds from this note were \$2,921,430. Proceeds were used to defray the costs of installing and implementing an Advanced Meter Reading Infrastructure. The note bears interest at a rate of 1.00% per annum. Principal and interest of \$40,337 are payable quarterly beginning April 1, 2016 through January 1, 2036. The loan had a balance of \$2,348,492 and \$2,485,497 at June 30, 2020 and 2019, respectively.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 7 – Long-term obligations (continued)

#### Notes payable – Revenue/Other – DBP (continued)

On August 23, 2017, the District signed a promissory note to the South Carolina Water Quality Revolving Fund Authority. The total proceeds from this note were \$1,287,051 which were used to defray the cost of certain improvements to its wastewater system consisting of (i) pump station construction and upgrades; and (ii) installation of related improvements and appurtenances. The note bears interest at a rate of 1.90% per annum. Eighty quarterly principal and interest payments of \$19,376 are payable beginning March 1, 2018. During the year ended June 30, 2018, draws of \$1,176,988 were taken on this loan. One final draw of \$110,063 was taken on this loan after June 30, 2018. The loan had a balance of \$1,151,558 and \$1,206,527 at June 30, 2020 and 2019, respectively.

#### Notes payable – General Obligation - DBP

On April 14, 2008 the District executed a loan with the South Carolina State Infrastructure Revolving Loan Fund (SIRF) in the amount of \$481,080 at an interest rate of 3.50% per annum. The proceeds of this loan were used only to pay the costs of constructing new water wells. Principal and interest of \$8,387 are payable quarterly beginning January 1, 2009 through October 1, 2028. The SIRF loan balance outstanding at June 30, 2020 and 2019 amounted to \$239,494 and \$264,119, respectively.

On October 3, 2008, the District finalized a State Revolving Fund (SRF) loan in the amount of \$2,887,826 at an interest rate of 3.0% per annum. These funds were used as part of the financing for the new reverse osmosis plant. Principal and interest of \$48,135 were payable quarterly beginning January 1, 2009 through October 1, 2011. Effective November 21, 2011, the interest rate was reduced to 2.25% resulting in reduced principal and interest payments of \$45,350 to be paid quarterly from January 1, 2012 through October 1, 2028. The SRF loan balance outstanding at June 30, 2020 and 2019 amounted to \$1,362,390 and \$1,511,042, respectively.

On September 10, 2014, the District signed a promissory note to the South Carolina Water Quality Revolving Fund Authority. The total proceeds from this note were \$3,451,303. Proceeds were used to defray the cost of expanding the existing Reverse Osmosis Treatment Facility, installing an additional booster pump station, and relocating a major water line within the district. The note bears interest at a rate of 2.00% per annum. Five quarterly principal and interest payments of \$56,989 were due beginning May 1, 2015, one quarterly principal and interest payment of \$29,753 was due on August 1, 2016, and seventy-four quarterly principal and interest payments of \$52,450 are due beginning on November 1, 2016. The balance outstanding at June 30, 2020 and 2019 was \$2,674,099 and \$2,828,481, respectively.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 7 - Long-term obligations (continued)

#### Bonds payable – Revenue – PT

On August 24, 2010, the District issued \$3,400,000 of series 2010B revenue bonds. Proceeds were to be used to defray the costs of system improvements. Interest on the bonds is payable semi-annually beginning December 1, 2010 at varying interest rates of between 2.00% and 4.00% per annum. Principal payments on the bonds were due annually beginning December 1, 2011 through December 1, 2029. On September 3, 2015, sixty-seven percent of outstanding balance of \$2,865,000 of these bonds, \$1,920,000, was refunded through the issuance of Series 2015 A and B revenue bonds. Principal payments on the remaining balance of \$945,000 are due annually beginning on December 1, 2016 through December 1, 2020 and interest payments remain payable semi-annually through December 1, 2020. The interest rate on the remaining bonds is 4.00% per annum. The 2010 revenue bonds outstanding at June 30, 2020 and 2019 amounted to \$175,000 and \$340,000, respectively.

On November 29, 2012, the District issued \$12,275,000 of series 2012A refunding revenue bonds. Proceeds were used to refunding the series 2004 revenue bonds which refunded the 1995 revenue bonds and all of the callable maturities of the 1996 revenue bonds. Interest on the bonds is payable semi-annually at interest rates of between 0.542% and 2.839% per annum. Principal payments are due annually on August 1st of each year beginning in 2013 and continuing through 2024. The 2012A revenue bonds outstanding amounted to \$4,095,000 and \$5,170,000 at June 30, 2020 and 2019, respectively.

On November 29, 2012, the District issued \$815,000 of series 2012B revenue bonds. Proceeds were used to defray the costs of system improvements. The series 2012B bond bears interest at a rate of 2.15% per annum. Interest only payments are due semi-annually from February 1, 2013 through August 1, 2024. The principal balance is due in full on August 1, 2024. The 2012B revenue bonds outstanding amounted to \$815,000 at June 30, 2020 and 2019.

#### Bonds payable - Revenue – DBP

On April 23, 2014, the District issued \$282,294 of Series 2014A revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds are an obligation of the District, bear interest at the rate of 3.42% and are payable in annual principal and interest payments of \$24,371 through April 2029. The bonds will be repaid by annual assessments to the owners in the areas that were connected over a 20-year period and will be collected by the county treasurer. The 2014A revenue bonds outstanding amounted to \$186,093 and \$203,504 at June 30, 2020 and 2019, respectively

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 7 - Long-term obligations (continued)

#### Bonds payable - Revenue – DBP (continued)

On September 3, 2015, the District issued \$19,846,000 of Series A refunding revenue bonds and \$2,721,000 of Series B refunding revenue bonds as bank loans. Proceeds were used to refund the series 2006 refunding revenue bonds, series 2007 revenue bonds, series 2009A revenue bonds, series 2010A refunding revenue bonds, series 2011 revenue bonds, series 2011B refunding revenue bonds, and sixty seven percent of the outstanding 2010B revenue bonds. The series 2015A bonds bear interest at a rate of 1.93% per annum and principal and interest payments are due semi-annually beginning in December 2015 and continuing until June 2025. The 2015A revenue bonds outstanding amounted to \$11,470,000 and \$13,428,000 at June 30, 2020 and 2019, respectively. The series 2015B bonds bear interest at a rate of 2.29% per annum and principal and interest payments are due semi-annually beginning in December 2015 and continuing until December 2029. The 2015B revenue bonds outstanding amounted to \$2,310,000 and \$2,400,000 at June 30, 2020 and 2019, respectively.

On August 21, 2017, the District issued \$515,000 of Series 2017A revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. Interest on the bonds is payable semi-annually at 2.69% per annum. Principal payments are due annually on June 1st of each year beginning in 2018 and continuing through 2032. The bonds will be repaid by annual assessments to the owners in the areas that were connected over a 20-year period and will be collected by the county treasurer. The 2017A revenue bonds outstanding amounted to \$425,230 and \$454,925 at June 30, 2020 and 2019, respectively.

On March 26, 2020, the District issued \$435,000 of Series 2020 revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. Interest on the bonds is payable semi-annually at 2.67% per annum. Principal payments are due annually on June 1st of each year beginning in 2020 and continuing through 2035. The bonds will be repaid by annual assessments to the owners in the areas that were connected over a 20-year period and will be collected by the county treasurer. The 2020 revenue bonds outstanding amounted to \$435,000 at June 30, 2020.

#### Bonds payable – General Obligation – PT

On October 3, 2007, the District issued \$7,350,000 of general obligation bonds. Proceeds were to be used to defray the cost of constructing, furnishing and equipping a new water well and reverse osmosis plant. Interest on the bonds is payable semi-annually beginning March 1, 2008 at varying interest rates of between 4.50% and 4.00% per annum. Principal payments on the bonds are due annually beginning March 1, 2009 through March 1, 2027. The 2007 general obligation bonds outstanding amounted to \$3,360,000 and \$3,765,000 at June 30, 2020 and 2019, respectively.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
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 JUNE 30, 2020 AND 2019

**Note 7 – Long-term obligations (continued)**

**Bonds payable – General Obligation – PT (continued)**

On September 28, 2010 the District issued \$3,970,000 of general obligation bonds. Proceeds were to be used to defray the cost of constructing, furnishing and equipping a new Aquifer Storage and Recovery well. Interest on the bonds is payable semi-annually beginning March 1, 2011 at varying interest rates of between 2.00% and 3.375% per annum. Principal payments on the bonds are due annually beginning March 1, 2011 through March 1, 2029. The 2010 general obligation bonds outstanding amounted to \$2,150,000 and \$2,350,000 at June 30, 2020 and 2019, respectively.

**Bonds payable – General Obligation – DBP**

In July 2009, the District issued \$1,781,694 of general obligation bonds as a bank loan. Proceeds were to be used to defray the cost of constructing, furnishing and equipping a new water well and reverse osmosis plant. The bonds bear interest at a rate of 4.219% per annum. The first payment of principal and interest in the amount of \$159,413 was due March 1, 2010. Fourteen additional payments of principal and interest of \$160,040 are payable on March 1st of each year beginning in 2011 and continuing until 2024. The 2009 general obligation bonds outstanding amounted to \$577,937 and \$708,102 at June 30, 2020 and 2019, respectively.

Maturities, debt service costs, and varying interest rates of bonds and notes payable are as follows:

Year Ended June 30,	Direct Borrowing/Placement		Publicly Traded		Total
	Principal	Interest	Principal	Interest	
2021	\$ 2,839,533	\$ 452,124	\$ 1,910,000	\$ 319,987	\$ 5,521,643
2022	4,201,318	387,130	660,000	280,412	5,528,860
2023	4,180,458	301,938	800,000	254,668	5,537,064
2024	4,254,442	216,071	835,000	226,189	5,531,701
2025	749,774	145,292	4,285,000	150,801	5,330,867
2026 - 2030	4,364,184	449,796	2,105,000	151,230	7,070,209
2031 - 2035	2,325,325	127,203	-	-	2,452,528
2036 - 2038	309,198	5,570	-	-	314,768
Grand Total	<u>\$ 23,224,232</u>	<u>\$ 2,085,123</u>	<u>\$ 10,595,000</u>	<u>\$ 1,383,287</u>	<u>\$ 37,287,642</u>

For those bonds due June 30,	General Obligation bonds dated Oct. 3, 2007	General Obligation bonds dated Sept. 28, 2010	2012A Revenue bonds dated Nov. 29, 2012
2021 - 2023	4.000%	3.000%	1.917%
2024	4.000%	3.000%	2.339%
2025	4.000%	3.000%	2.839%
2026 - 2027	4.000%	3.125%	
2028	4.000%	3.250%	

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
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 JUNE 30, 2020 AND 2019

**Note 8 – Non-current liabilities**

The non-current liability activity during fiscal years 2020 and 2019 was as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Amounts due within one year
Revenue bonds - PT	\$ 6,325,000	\$ -	\$ (1,240,000)	\$ 5,085,000	\$ 1,285,000
Revenue bonds - DBP	16,486,429	435,000	(2,095,106)	14,826,323	2,156,461
GO bonds -PT	6,115,000	-	(605,000)	5,510,000	625,000
GO bonds - DBP	708,102	-	(130,165)	577,937	135,655
Notes payable - GO debt - DBP	4,603,642	-	(327,659)	4,275,983	335,016
Notes payable - Revenue/other - DBP	3,753,963	-	(209,974)	3,543,989	212,401
Bond discount/premium	54,851	-	(8,641)	46,210	-
Net pension liability	4,897,854	282,266	-	5,180,120	-
Subtotal	\$ 42,944,841	\$ 717,266	\$ (4,616,545)	\$ 39,045,562	\$ 4,749,533
Less current portion	(4,607,903)			(4,749,533)	
Noncurrent liabilities	<u>\$ 38,336,938</u>			<u>\$ 34,296,029</u>	

	June 30, 2018	Additions	Reductions	June 30, 2019	Amounts due within one year
Revenue bonds - PT	\$ 7,535,000	\$ -	\$ (1,210,000)	\$ 6,325,000	\$ 1,240,000
Revenue bonds - DBP	18,543,181	-	(2,056,752)	16,486,429	2,095,106
GO bonds -PT	6,700,000	-	(585,000)	6,115,000	605,000
GO bonds - DBP	833,001	-	(124,899)	708,102	130,165
Notes payable - GO debt - DBP	4,924,110	-	(320,468)	4,603,642	327,658
Notes payable - Revenue/other - DBP	3,849,172	110,063	(205,272)	3,753,963	209,974
Bond discount/premium	63,492	-	(8,641)	54,851	-
Net pension liability	5,260,738	-	(362,884)	4,897,854	-
Subtotal	\$ 47,708,694	\$ 110,063	\$ (4,873,916)	\$ 42,944,841	\$ 4,607,903
Less current portion	(4,502,388)			(4,607,903)	
Noncurrent liabilities	<u>\$ 43,206,306</u>			<u>\$ 38,336,938</u>	

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 9 – Deferred amount on refunding**

In November 2012, the District issued revenue bonds amounting to \$12,275,000 with varying interest rates to advance refund series 2004 revenue bonds amounting to \$17,575,000 which had varying interest rates and a balance of \$11,740,000 at the time of the refunding. The 2004 bonds previously refunded revenue bonds totaling \$18,110,000. The 2004 revenue bonds were set to mature in 2021. The proceeds of the new revenue bond issue were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues. The 2012A advance refunding met the requirements of an in-substance debt defeasance, and those bonds were removed from the books of the District. As a result of the advance refunding, the District reduced its total debt service requirements by \$527,149, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$206,473. The District is amortizing the deferred amount on early retirement of \$1,240,395 over the 8.33 year remaining life of the refunded bonds. The unamortized balance at June 30, 2020 and 2019 was \$111,634 and \$260,483, respectively.

In September 2015, the District issued series 2015A revenue bonds amounting to \$19,846,000 with a 1.93% interest rate to advance refund \$15,725,000 of the \$18,770,000 series 2006 refunding revenue bonds which had varying interest rates and a maturity of December 2023, \$241,168 of the \$335,902 series 2009A revenue bonds which had an interest rate of 4.55% and a maturity date of July 2024, \$104,168 of the \$190,722 series 2010A revenue bonds which had an interest rate of 3.85% and a maturity date of May 2020, \$205,000 of the \$3,400,000 series 2010B revenue bonds which had an interest rate of 4.00% and a maturity date of December 2024, and \$3,807,737 of the \$6,003,544 series 2011B revenue bonds which had an interest rate of 2.89% and a maturity date of August 2021. The proceeds of the new revenue bond issue were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues. The 2015A advance refunding met the requirements of an in-substance debt defeasance, and those bonds were removed from the books of the District. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,814,453, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,718,876. The District is amortizing the deferred amount on early retirement of \$866,883 over the 9.75 year life of the refunded bonds. The unamortized balance at June 30, 2020 and 2019 was \$437,146 and \$526,057, respectively.

In September 2015, the District issued series 2015B revenue bonds amounting to \$2,721,000 with a 2.29% interest rate to advance refund \$646,524 of the \$930,000 series 2007 revenue bonds which had an interest rate of 4.22% and a maturity of June 2027, \$1,715,000 of the \$3,400,000 series 2010B revenue bonds which had varying interest rates and a maturity date of December 2029, and \$302,444 of the \$384,000 series 2011 revenue bonds which had an interest rate of 3.91% and a maturity date of April 2026. The proceeds of the new revenue bond issue were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues. The 2015B advance refunding met the requirements of an in-substance debt defeasance, and those bonds were removed from the books of the District. As a result of the advance refunding, the District reduced its total debt service requirements by \$336,864, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$298,448. The District is amortizing the deferred amount on early retirement of \$266,044 over the 14.25 year life of the refunded bonds. The unamortized balance at June 30, 2020 and 2019 was \$175,808 and \$194,477, respectively.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 10 - Lease arrangements**

The District is currently leasing office space, land use and space on its water tower facilities to various cellular phone companies for attachment of antennae. Original lease terms range from one to ten year periods, with renewal options. Rental income in connection with these leases was \$704,825 and \$565,435 for the years ended June 30, 2020 and 2019, respectively. The future minimum lease income is as follows:

Years ended June 30,	Amount
2021	\$ 492,995
2022	261,342
2023	185,222
2024	115,828
2025	43,180
Thereafter	222,000
Total	<u>\$ 1,320,567</u>

### **Note 11 - Economic dependence**

The District has a service area that is located within the geographic boundaries of Hilton Head Island, South Carolina. A change in the overall economic conditions of this geographic area may have a significant influence upon the operating results of the District.

### **Note 12 - Disaster Recovery / Insurance recoveries**

During the year ended June 30, 2020 and 2019, \$1,678 and \$7,211, respectively, was received for non-disaster related insurance recoveries which were offset against the related repair expense.

On September 4, 2019, Hurricane Dorian impacted Beaufort County. Hilton Head Island received tropical storm wind gusts of 67 mph. There were no damages to insured assets. The District was approved for and received \$23,562 of federal FEMA assistance for expenses that were not directly identifiable such as administrative and maintenance payroll related to storm preparation and claim administration as well as per diem payments for usage of District equipment in preparation efforts. Accordingly, this amount has been included in disaster recovery income on the statement of revenues, expenses, and changes in net position for the year ended June 30, 2020. As of the date of this report, it was unknown whether South Carolina would approve funding for the state share of this claim totaling \$7,855 and, as such, it was not accrued to these financial statements. Additionally, a claim for CAT Z claim administrative costs totaling \$1,571 relating to Hurricane Dorian was also outstanding but had not been approved and therefore was not accrued to these financial statements.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 12 – Disaster Recovery / Insurance recoveries (continued)**

In October 2016, Hurricane Matthew impacted the District's service area and caused damage to the District's property and systems. During the year ended June 30, 2017, the District received \$568,146 for insurance recoveries and FEMA reimbursement related to expenses incurred as a result of the hurricane attributable to the year ended June 30, 2017. Of this amount, \$224,897 was received for expenses that were not directly identifiable such as administrative and maintenance payroll related to storm recovery and claim administration as well as per diem payments for usage of District equipment in clean-up efforts. The remaining \$343,249 was reimbursement for direct expenses incurred. The District incurred an additional \$166,205 of direct expenses during the year ended June 30, 2017, including professional fees related to claim submission, for which it had not yet received reimbursement as of the date of the prior report. Although the District expected reimbursement for a portion of these expenses, an estimate of the amount of reimbursement to be received could not be estimated as of the date of the prior report. Given that uncertainty, in accordance with generally accepted accounting principles, no accrual was recorded for those items. During the year ended June 30, 2018, the District received \$41,025 of additional reimbursements related to Hurricane Matthew which were reported as a part of disaster recovery income on the statement of revenues, expenses, and changes in net position. During the year ended June 30, 2019, the District received \$21,894 of additional reimbursements related to Hurricane Matthew which are reported, net of additional expenses of \$17,952 related to appeal work, as a part of disaster recovery income on the statement of revenues, expenses, and changes in net position. During the year ended June 30, 2020, the District received \$62,940 of additional reimbursements related to Hurricane Matthew which are reported as a part of disaster recovery income on the statement of revenues, expenses, and changes in net position. The District is still in the appeal process. Additional funds may be received but the amount cannot be reasonably estimated.

On March 27, 2020, the Governor of South Carolina declared a state of emergency related to the COVID-19 Pandemic. The District has applied for FEMA assistance in the amount of \$19,342 for CAT B emergency protective costs including building disinfection and personal protective equipment incurred through June 30, 2020. As of the date of this report, it is unknown whether this amount will be approved and disbursed. As such, an accrual was not made to these financial statements.

### **Note 13 - Construction and development commitments**

#### **Policy**

The District has financed a portion of its expansion through direct charges to developers and through governmental grants. Developers basically install the systems within a given area and/or contribute toward treatment plant or water production facilities in exchange for a portion of the capacity. All systems contributed must be approved by the District and are contributed, generally without cost to the District, once they are completed and acceptable for use.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 13 - Construction and development commitments (continued)**

#### **Regulatory mandates**

The District, as well as some other water authorities on Hilton Head Island, South Carolina, has entered into contracts for additional water supply sources to meet its future needs due to restrictions placed on the District by the South Carolina Department of Health and Environmental Control. The restrictions and contract for water supply have a significant financial impact on the District. During the year June 30, 2015, the District signed its current agreement with Beaufort-Jasper Water & Sewer Authority (BJWSA) to provide an additional water supply for the District's service area. Since completion of the water supply construction, the District is required under the agreement to purchase a minimum of 1 million gallons of water per day, based upon BJWSA's operation and maintenance cost for providing the water. Purchases from BJWSA amounted to \$909,204 and \$1,390,381 for the years ended June 30, 2020 and 2019, respectively, of which \$234,030 and \$220,013, respectively, were injected into the ASR system.

#### **Expansion**

As part of an overall funding plan for expansion of the District's present facilities, the District has entered into various contracts with developers and others. Under these contracts, contributions of capital assets valued at \$1,664,012 and \$2,335,305 and payments of capacity fees totaling \$864,478 and \$878,264 were collected during the fiscal years ended June 30, 2020 and 2019, respectively. All developer contract commitments entered into prior to the current expansion program have been substantially met. The District extended its boundaries to include those undeveloped areas on the northern part of the island under developer contracts. The cost of expansion is allocated to the developers based upon capacity requested. The infrastructure necessary to connect or serve the developers' property will be constructed by the developers and contributed to the District at no cost to the District. In 2017, the District entered into an agreement with the Town of Hilton Head Island whereby the Town will reimburse the District up to \$5,606,315 for the engineering and construction costs related to the first two years of the District's Master Sewer Plan Document which lays out a five year plan to connect substantially all previously unserved areas to the sewer system. In 2018, the District entered into an agreement with the Town of Hilton Head Island whereby the Town will reimburse the District up to \$2,864,868 for the engineering and construction costs related to the remaining three years of the District's Master Sewer Plan Document and an agreement whereby the Town will reimburse the District one-half of the cost of installing new fire hydrants, up to \$50,000 per year. Reimbursements of \$630,960 and \$2,335,305 were received under these agreements during the years ended June 30, 2020 and 2019, respectively, and are included as part of the developer contributions of capital assets disclosed above.

#### **Construction commitments**

The District had outstanding construction contract commitments of -\$0- and \$496,989 at June 30, 2020 and 2019, respectively.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 14 - Sewer assessments**

The District has constructed various sewer collection systems, the cost of which is to be repaid by annual sewer assessments collected by the Beaufort County treasurer from the property owners that benefited from these systems. These assessments are being collected annually and are expected to be paid in full beginning 2016 through 2041. Assessments receivable totaled \$2,500,317 and \$2,084,803 as of June 30, 2020 and 2019, respectively. A portion of the annual receipts is recognized as interest income each year. For the years ended June 30, 2020 and 2019, \$69,744 and \$72,712, respectively, of the assessments collected was recognized as interest income.

**Note 15 - Deferred compensation plans**

**Section 457/401(k) Plan**

In April 2004, the District reactivated its Internal Revenue Code Section 457 retirement plan. All persons employed by the District on March 31, 2004 became eligible employees. In May 2012, the District also adopted a 401(k) Plan option. Under the Plan, all participants may make an elective deferral up to 100% of their annual compensation subject to Internal Revenue Code maximum contribution limitations. The District makes a 6% matching contribution to each eligible participant's account who has not chosen to also participate in the South Carolina Retirement Plan. Employee contributions for the years ended June 30, 2020 and 2019 were \$132,032 and \$148,907, respectively. The matching contribution for the years ended June 30, 2020 and 2019 was \$10,959 and \$10,480, respectively. Participants are immediately vested in all contributions and earnings thereon.

**South Carolina Retirement System**

Effective April 2004, the District joined the South Carolina Retirement System (SCRS).

**General Information about the Pension Plan**

*Plan Description.* The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election. PEBA issues a publicly available financial report that can be obtained at [www.peba.sc.gov](http://www.peba.sc.gov).

*Membership.* Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. As a condition of employment, all employees are required to become members of the SCRS. However, employees who worked for the District on the date of its admission into the Retirement System could elect non-membership within six-months. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 15 - Deferred compensation plans (Continued)

#### **General Information about the Pension Plan (Continued)**

*Benefits Provided.* Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

*Contributions.* Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 15 - Deferred compensation plans (Continued)**

**General Information about the Pension Plan (Continued)**

*Contributions (continued)*

increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates for the years ended June 30, 2020 and 2019 were 9.00%. Required employer contribution rates for the years ended June 30, 2020 and 2019 were 15.41% and 14.41%, respectively. The incidental death benefit employer contribution rate for the years ended June 30, 2020 and 2019 was 0.15%. The District's required contribution for the years ended June 30, 2020 and 2019 was \$370,538 and \$352,212, respectively. For each of the years, the District contributed 100% of the required contribution to the SCRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020 and 2019, the District reported a liability of \$5,180,120 and \$4,897,854, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's contributions for the year ended June 30, 2019 to the pension plan relative to the contributions of all participating employers for the year ended June 30, 2019. At June 30, 2020 and 2019, the District's proportion was 0.0227 percent and 0.0219 percent, respectively.

For the year ended June 30, 2020, the District recognized pension expense of \$560,016. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,561	\$ 37,213
Net difference between projected and actual earnings on pension plan investments	45,861	-
Changes in proportion and differences between proportionate share of contributions	265,211	171,531
Assumption changes	104,387	-
District contributions subsequent to the measurement date	370,538	-
Total	\$ 789,558	\$ 208,744

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 15 - Deferred compensation plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2019, the District recognized pension expense of \$382,374. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,841	\$ 28,823
Net difference between projected and actual earnings on pension plan investments	77,803	-
Changes in proportion and differences between proportionate share of contributions	257,629	370,537
Assumption changes	194,319	-
District contributions subsequent to the measurement date	352,212	-
Total	\$ 890,804	\$ 399,360

The \$370,538 and \$352,212 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date as of June 30, 2020 and 2019, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2021	\$ 218,279
2022	\$ (67,759)
2023	\$ 41,137
2024	\$ 18,619
2025	\$ -
Thereafter	\$ -

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 15 - Deferred compensation plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions.* Actuarial assumptions involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The total pension liability as of June 30, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actual cost method	Entry age normal
Salary Increases	3.0% to 12.5% (varies by service), including inflation
Investment rate of return	7.25 percent, including inflation
Inflation	2.25%
Benefit adjustments	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2019, total pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

*Long-term Expected Rate of Return.* The long-term expected rate of return on pension plan investments, is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 15 - Deferred compensation plans (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity <sup>1,2</sup>	35.0%	7.29%	2.55%
Private Equity <sup>2,3</sup>	9.0%	7.67%	0.69%
Equity Options Strategies <sup>1</sup>	7.0%	5.23%	0.37%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private) <sup>2,3</sup>	8.0%	5.59%	0.45%
Real Estate (REITs) <sup>2</sup>	1.0%	8.16%	0.08%
Infrastructure (Private) <sup>2,3</sup>	2.0%	5.03%	0.10%
Infrastructure (Public) <sup>2</sup>	1.0%	6.12%	0.06%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation <sup>1</sup>	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/ Bank Loans <sup>1,2</sup>	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt <sup>2,3</sup>	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income <sup>1</sup>	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Return <sup>4</sup>	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

<sup>1</sup> Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

<sup>2</sup> The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

<sup>3</sup> RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

<sup>4</sup> The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 15 - Deferred compensation plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25)%</b>	<b>Current Discount Rate (7.25)%</b>	<b>1% Increase (8.25)%</b>
District's proportionate share of the net pension liability	\$ 6,525,865	\$ 5,180,120	\$ 4,057,015

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued PEBA financial report.

*Payable to Plan.* The District reported a payable of a \$46,794 and \$38,719 to PEBA as of June 30, 2020 and 2019, respectively, representing required employer and employee contributions for the month of June 2020 and 2019, respectively, for the SCRS. These amounts are included in Other Accrued Liabilities in the statements of net position and were paid in July 2020 and 2019, respectively.

*Subsequent Event to the Plans Measurement Date.* In May 2020, due to the global health crisis/pandemic caused by the COVID-19 virus, the South Carolina General Assembly included a provision in its continuing resolution for suspending the statutory employer contribution rate increase of 1% for the 2020-2021 fiscal year. This means that the employer contribution rate for the Plans during the 2020-2021 fiscal year, as expressed as a percentage of earnable compensation, shall remain at the same rate as imposed for the 2019-2020 fiscal year.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2020 AND 2019

**Note 16 - Other commitments and contingencies**

The District is subject to various claims and contingencies arising out of the normal course of business. Management of the District believes that the ultimate liability, if any, from such claims or contingencies will be covered by the District's insurance policies and are not likely to have a material adverse effect on the District's operating results, financial condition or liquidity. Currently there are no material outstanding issues being addressed by legal counsel.

**Note 17 - Net position**

Net position represents the difference between assets, deferred inflows of resources, liabilities and deferred outflows of liabilities. The net position amounts were as follows:

	As of June 30,	
	2020	2019
Net investment in capital assets		
Net property, plant and equipment in service	74,457,407	76,510,537
Less: Debt as disclosed in Notes 6 & 7	(33,819,232)	(37,992,136)
Bond premium, net	(46,210)	(54,851)
Deferred amount on refunding, net	724,588	981,017
Accounts payable for capital assets	(104,990)	(196,162)
	41,211,563	39,248,405
Restricted for debt service	2,570,882	2,412,700
Unrestricted	5,326,557	3,515,934
Total net position	\$ 49,109,002	\$ 45,177,039

**Note 18 - Subsequent Events**

On September 23, 2020, the District's Board of Commissioners approved a bond resolution providing for the issuance and sale of not exceeding aggregate principal amount of \$10,500,000 general obligation refunding bonds. These Bonds are anticipated to be issued in early November to refund all of the District's outstanding general obligation debt issuances to achieve debt service savings.

On September 23, 2020, the District's Board of Commissioners approved a "2020B Series Resolution" providing for the issuance and sale of waterworks and sewer system refunding revenue bonds in the aggregate principal amount of not exceeding \$21,000,000. These bonds are anticipated to be issued in early November to restructure the District's Series 2012 A & B, Series 2015 A & B, 2017B SRF Revenue Debt, and Series 2020 FFA Revenue Debt to obtain lower interest rates and restructure the payback period.

## **Required Supplementary Information**

**Schedule A - Hilton Head No. 1 PSD South Carolina Retirement System Contributions**

**Schedule B - Hilton Head No. 1 PSD's Proportionate Share of the Net Pension Liability**

**Schedule A - Hilton Head No. 1 PSD South Carolina Retirement System Contributions**  
**For the fiscal year ended June 30, 2020<sup>7</sup> - Last ten years**

	<i>South Carolina Retirement System</i>									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 370,538	\$ 352,212	\$ 307,158	\$ 272,562	\$ 222,257	\$ 239,148	\$ 230,376	\$ 222,013	\$ 185,953	\$ 171,769
Contributions in relation to the contractually required contribution	370,538	352,212	307,158	272,562	222,257	239,148	230,376	222,013	185,953	171,769
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Hilton Head No. 1 PSD's covered payroll	\$ 2,404,535	\$ 2,444,222	\$ 2,290,514	\$ 2,388,802	\$ 2,037,186	\$ 2,224,629	\$ 2,204,558	\$ 2,124,527	\$ 1,981,382	\$ 1,858,973
Contributions as a percentage of covered payroll	15.41%	14.41%	13.41%	11.41%	10.91%	10.75%	10.45%	10.45%	9.39%	9.24%

*Note: For last 10 fiscal years, there should be a zero amount for contribution deficiency (excess) because all required contributions were made per South Carolina Retirement System's previous reports.*

**Schedule B - Hilton Head No. 1 PSD's Proportionate Share of the Net Pension Liability**  
**For the fiscal year ended June 30, 2020 - Last ten years\***

	<i>South Carolina Retirement System</i>						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Hilton Head No. 1 PSD's proportion of the net pension liability	0.022686%	0.021859%	0.023369%	0.020752%	0.023400%	0.023939%	0.023939%
Hilton Head No. 1 PSD's proportionate share of the net pension liability	\$ 5,180,120	\$ 4,897,854	\$ 5,260,737	\$ 4,432,597	\$ 4,437,923	\$ 4,121,502	\$ 4,063,319
Hilton Head No. 1 PSD's covered payroll	\$ 2,444,222	\$ 2,290,514	\$ 2,388,802	\$ 2,037,186	\$ 2,224,629	\$ 2,204,558	\$ 2,124,527
Hilton Head No. 1 PSD's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	211.93329%	213.83209%	220.22491%	217.58429%	199.49048%	186.95367%	191.25758%
Plan fiduciary net position as a percentage of the total pension liability	54.40000%	54.10000%	53.30000%	52.90000%	57.00000%	59.90000%	53.38821%

*Source - South Carolina Retirement System*  
*\*Fiscal year 2015 was the 1st year of implementation. Measurement dates are provided from the South Carolina Retirement System.*  
*Going forward this schedule will continue to add years until 10 fiscal years of information is presented.*

<sup>7</sup> GASB 68 was implemented for fiscal year 2015 and 2014.

# **SUPPLEMENTAL FINANCIAL INFORMATION**

**Table A-1**  
**Hilton Head PSD**  
**Budgetary Comparison Schedule**  
Fiscal Year to Date as of June 30, 2020

	Fiscal Year 2020		FY 20 Actual to FY 20 Budget Comparison	
	Actual	Budget	Dollars	%
<b>Operating Revenues</b>				
Water Service	\$ 7,735,802	\$ 7,494,400	\$ 241,402	3.2%
Sewer Service	5,719,313	5,667,400	51,913	0.9%
Tap In Fees - Water	240,179	162,600	77,579	47.7%
Connection Fees - Sewer	242,418	189,700	52,718	27.8%
Service Fees	23,015	35,000	(11,985)	-34.2%
Golf Course Irrigation	155,676	175,000	(19,324)	-11.0%
Availability Fees	452,602	462,000	(9,398)	-2.0%
Disaster recovery, net	86,502	-	86,502	N/A
Other Operating Revenues	91,432	15,000	76,432	509.5%
<b>Total Operating Revenues</b>	<b>14,746,939</b>	<b>14,201,100</b>	<b>545,839</b>	<b>3.8%</b>
<b>Departmental Expenses</b>				
Payroll & Related	4,062,153	3,884,000	(178,153)	-4.6%
Administrative Expenses	1,006,662	1,101,900	95,238	8.6%
Operations	1,855,061	1,750,600	(104,461)	-6.0%
Maintenance	1,143,332	1,238,000	94,668	7.6%
Water Tap In Expenses	152,870	162,600	9,730	6.0%
Sewer Connection Expenses	215,867	189,700	(26,167)	-13.8%
Purchased Water	675,174	1,268,000	592,826	46.8%
ASR-1 Water	217,007	223,100	6,093	2.7%
ASR-1 O&M	41,846	44,300	2,454	5.5%
RO Plant O&M	688,297	708,900	20,603	2.9%
Professional Fees	342,116	184,900	(157,216)	-85.0%
Vehicle	96,385	109,800	13,415	12.2%
<b>Total Departmental Expenses</b>	<b>10,496,770</b>	<b>10,865,800</b>	<b>369,030</b>	<b>3.4%</b>
<b>Depreciation</b>	<b>5,044,727</b>	<b>5,100,000</b>	<b>55,273</b>	<b>1.1%</b>
<b>Total Operating Expenses</b>	<b>15,541,497</b>	<b>15,965,800</b>	<b>424,303</b>	<b>2.7%</b>
<b>Operating income (loss)</b>	<b>(794,558)</b>	<b>(1,764,700)</b>	<b>970,142</b>	<b>55.0%</b>
<b>Non-operating revenues</b>				
Property taxes-G.O. Debt Levy	1,414,091	1,421,000	(6,909)	-0.5%
Property taxes-Operations Levy	1,034,553	1,016,000	18,553	1.8%
Tower Lease Income	625,067	467,400	157,667	33.7%
Rental Income	79,758	80,000	(242)	-0.3%
Interest Income	184,093	168,500	15,593	9.3%
<b>Total Non-operating Revenues</b>	<b>3,337,562</b>	<b>3,152,900</b>	<b>184,662</b>	<b>5.9%</b>
<b>Non-operating Expenses</b>				
Interest expense-Bonds	841,047	837,960	(3,087)	-0.4%
Bond Defeasance Amortization	256,428	256,400	(28)	0.0%
Bond Issuance Costs	42,056	45,000	2,944	0.0%
<b>Total Non-operating Expenses</b>	<b>1,139,531</b>	<b>1,139,360</b>	<b>(171)</b>	<b>0.0%</b>
<b>Total Non-operating Revenues/Exp.</b>	<b>2,198,031</b>	<b>2,013,540</b>	<b>184,491</b>	<b>9.2%</b>
<b>Increase (decrease) in net position, before capital contribution</b>	<b>1,403,473</b>	<b>248,840</b>	<b>1,154,633</b>	<b>464.0%</b>
Water Capacity Fee	294,324	110,000	184,324	167.6%
Sewer Capacity Fee	570,154	254,800	315,354	123.8%
Developer Contributions of Systems	1,664,012	-	1,664,012	0.0%
<b>Total Capital Contributions</b>	<b>2,528,490</b>	<b>364,800</b>	<b>2,163,690</b>	<b>593.1%</b>
<b>Change in net position</b>	<b>\$ 3,931,963</b>	<b>\$ 613,640</b>	<b>\$ 3,318,323</b>	<b>540.8%</b>
<b>Net position, beginning of the fiscal year</b>	<b>\$ 45,177,039</b>			
<b>Net position, June 30, 2020</b>	<b>\$ 49,109,002</b>			

## Notes to Budgetary Comparison Schedule

### *Budgetary Highlights*

**Operating Revenues:** Actual fiscal year (FY) 2020 operating revenues are \$14,746,939 versus budgeted operating revenues of \$14,201,100 which results in a variance of \$545,839 or 3.8% above budget.

The following is a summary of material variances for the Operating Revenue categories:<sup>8</sup>

- Water service revenues are above budget by \$241,402 or 3.2% and Sewer service revenues are above budget by \$51,913 or 0.9%.<sup>9</sup> This is related to higher than expected water consumption. Despite increased rainfall, billed water consumption totaled 2.068 billion gallons which is 155 million gallons more than the budgeted 1.913 billion gallons and 61 million gallons higher than the 2.007 billion gallons billed in FY 2019. Rainfall increased by 5.21 inches from 55.85 inches in FY 2019 to 61.06 inches in FY 2020. However, FY 2020 saw several days of very heavy rainfall mixed in with stretches of dry, warm conditions.
- Tap In Fees – Water are above budget by \$77,579 or 47.7% and Connection Fees – Sewer are above budget by \$52,718 or 27.8%. This is related to more development in the District’s service area than anticipated as well as continued connections in the District’s Master Sewer Plan areas.
- Disaster recovery, net includes the receipt of \$62,940 from FEMA claims and successful appeals related to Hurricane Matthew. The District is still in the appeals process related to Hurricane Matthew FEMA claims but it is unknown whether any additional funds will be received. Additionally, \$23,562 was received from FEMA related to Hurricane Dorian emergency operations payroll and equipment usage. This payment represents FEMA’s 75% share of the entire claim. SCEMD may choose to provide the remaining 25% but it is unknown at this time whether they will approve the 25% funding on a state-wide level. A FEMA claim for COVID related building disinfection and PPE expenses through June has been submitted but it is unknown at this time whether expenses will be approved.
- Other operating revenues are over budget by \$76,432 or 509.5% which is mainly related to the receipt of Palmetto Electric capital credits. In addition to the annual December 2019 capital credit receipt, Palmetto Electric disbursed the current year capital credits in April 2020 as opposed to waiting until December 2020.

**Total Departmental Expenses (excludes depreciation):** Total departmental expenses are \$369,030 or 3.4% under budget. The following is a summary of material variances for the Departmental Expenses categories:<sup>1</sup>

- Payroll expenses are over budget by \$178,153 or 4.6%. However, this includes the annual year-end non-cash adjustment of net pension expense in accordance with the South Carolina Retirement System’s actuarial calculations. Without this \$192,896 adjustment, payroll expense would have come in under budget by \$14,743.
- Administrative expenses are under budget by \$95,238 or 8.6%. This is mainly related to lower than expected bad debt, contract labor, insurance other than group or vehicle, and bank/bond expenses.

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<sup>8</sup> In most cases, a variance of more than \$50,000 or 10 percent constitutes a material variance for the District’s quarterly and annual reports. Water and Sewer Service variances are typically discussed regardless of their variances given that they are the two main drivers for the District’s overall revenue.

<sup>9</sup> Residential sewer service customers billed consumption is capped at 10,000 gallons per month. Therefore, sewer service revenues are not as positively affected by higher water consumption compared to water service revenues.

- Operations expenses are over budget by \$104,461 or 6.0% mainly due to higher than expected chemical costs related to higher water consumption than expected. Additionally, this line item included a mid-year rate increase from the District's bio-solids disposal vendor and also contains COVID PPE purchases.
- Maintenance expenses are under budget by \$94,668 or 7.6%. This is mainly related to lower than expected lift station, plant, well, SCADA and effluent system maintenance expenses.
- Purchased water expense is under budget by \$592,826 or 47% despite higher customer water consumption. This savings is largely related to the repair of a leak on a 12" water main in June 2019 as a result of the satellite leak detection program.
- Professional Fees are over budget by \$157,216 or 85%. The PSD had accumulated roughly \$128,000 of legal and engineering fees related to the District funded Master Sewer Plan projects that were initially planned to be performed as an SRF project as construction in progress on the balance sheet. These costs were reclassified to engineering expense at year end as the District is moving forward with these projects on an individualized need basis. Additionally, this line item includes engineering related to the Jenkins Island and US 278 Bridge Projects, Water Model Study, underground storage tanks and groundwater permitting.

**Non-Operating Revenues:** Actual non-operating revenues are \$3,337,562 versus budgeted non-operating revenues of \$3,152,900 which results in a variance of \$184,662 or 5.9% above budget. The following is a summary of material variances for the Non-Operating Revenue categories:

- Tower lease income is over budget by \$157,667 or 34%. The PSD received a one time CPI related payment from one of its tower lease vendors during FY 2020.

**Capital Contributions:** Capacity Fees of \$864,478 versus FY 2020 budget of \$364,800 represents a variance of \$499,678 or 137% above budget mainly due to private developer projects and the finalization of the FY 2020 front foot assessments. Developer Contributions of Systems are a non-budgeted item totaling \$1,664,012, which represents reimbursements from the Town for Master Sewer Plan and Hydrant projects as well as water and sewer systems contributed by private developers.

The change in net position for FY 2020 was an increase of \$3,931,963 versus the FY 2019 budgeted increase of \$613,640 which is \$3,318,323 above budget. This increase to budget is mainly related to higher water and sewer consumption than expected, savings in purchased water, and more capacity and developer contributions of systems than expected.

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**SUMMARY SCHEDULE OF DEBT**  
 JUNE 30, 2020

<u>Description</u>	<u>Rate</u>	<u>6/30/2018</u>	<u>Addition</u>	<u>Reduction</u>	<u>6/30/2019</u>	<u>Addition</u>	<u>Reduction</u>	<u>6/30/2020</u>	<u>Current</u>
<b><u>Revenue Bonds - PT</u></b>									
Series 2010B	2% to 4%	\$ 500,000	\$ -	\$ (160,000)	\$ 340,000	\$ -	\$ (165,000)	\$ 175,000	\$ 175,000
Series 2012 A	0.542% to 2.839%	6,220,000	-	(1,050,000)	5,170,000	-	(1,075,000)	4,095,000	1,110,000
Series 2012 B	2.15%	815,000	-	-	815,000	-	-	815,000	-
<b>Total Revenue Bonds - PT</b>		<u>7,535,000</u>	-	(1,210,000)	<u>6,325,000</u>	-	(1,240,000)	<u>5,085,000</u>	1,285,000
<b><u>Revenue Bonds - DBP</u></b>									
Series 2014A	3.42%	220,339	-	(16,835)	203,504	-	(17,411)	186,093	18,007
Series 2015A	1.93%	15,351,000	-	(1,923,000)	13,428,000	-	(1,958,000)	11,470,000	1,992,000
Series 2015B	2.29%	2,488,000	-	(88,000)	2,400,000	-	(90,000)	2,310,000	92,000
Series 2017A	2.69%	483,843	-	(28,918)	454,925	-	(29,695)	425,230	30,494
Series 2020	2.67%	-	-	-	-	435,000	-	435,000	23,960
<b>Total Revenue Bonds - DBP</b>		<u>18,543,182</u>	-	(2,056,753)	<u>16,486,429</u>	435,000	(2,095,106)	<u>14,826,323</u>	2,156,461
<b><u>Notes Payable - Revenue/Other - DBP</u></b>									
SCJEDA - Notes Payable	0.00%	79,939	-	(18,000)	61,939	-	(18,000)	43,939	18,000
SIRF Series 2014 Revenue Bonds	1.00%	2,621,140	-	(135,643)	2,485,497	-	(137,005)	2,348,492	138,380
SIRF Series 2017B Revenue Bonds	1.90%	1,148,093	110,063	(51,629)	1,206,527	-	(54,969)	1,151,558	56,021
<b>Total Notes Payable - Revenue/Other</b>		<u>3,849,172</u>	110,063	(205,272)	<u>3,753,963</u>	-	(209,974)	<u>3,543,989</u>	212,401
<b>Total Revenue /Other Debt</b>		<u>29,927,354</u>			<u>26,565,392</u>			<u>23,455,312</u>	
<b><u>General Obligation Bonds - PT</u></b>									
Series 2007	4.00% to 4.50%	4,155,000	-	(390,000)	3,765,000	-	(405,000)	3,360,000	420,000
Series 2010	2.00% to 3.375%	2,545,000	-	(195,000)	2,350,000	-	(200,000)	2,150,000	205,000
<b>Total General Obligation Bonds - PT</b>		<u>6,700,000</u>	-	(585,000)	<u>6,115,000</u>	-	(605,000)	<u>5,510,000</u>	625,000
<b><u>General Obligation Bonds - DBP</u></b>									
Series 2009	4.219%	833,001	-	(124,899)	708,102	-	(130,165)	577,937	135,655
<b><u>Notes Payable - GO Debt - DBP</u></b>									
SRF - Series 2007 GO Bonds	3.94%	1,656,397	-	(145,355)	1,511,042	-	(148,652)	1,362,390	152,025
SIRF Series 2007 GO Bonds	3.50%	287,900	-	(23,781)	264,119	-	(24,625)	239,494	25,498
SRF - Series 2014 GO Bonds	2.00%	2,979,813	-	(151,332)	2,828,481	-	(154,382)	2,674,099	157,493
<b>Total Notes Payable - GO Debt - DBP</b>		<u>4,924,110</u>	-	(320,468)	<u>4,603,642</u>	-	(327,659)	<u>4,275,983</u>	335,016
<b>Total GO Debt</b>		<u>12,457,111</u>			<u>11,426,745</u>			<u>10,363,920</u>	
Total Long-Term Debt Liability		42,384,465	110,063	(4,502,392)	37,992,136	435,000	(4,607,904)	33,819,232	4,749,533
Less current portion		(4,502,388)			(4,607,903)			(4,749,533)	
Bond discount/premium, net of amortization		<u>63,492</u>			<u>54,851</u>			<u>46,210</u>	
<b>Total Long Term Debt</b>		<u>\$ 37,945,569</u>			<u>\$ 33,439,084</u>			<u>\$ 29,115,909</u>	

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT  
SCHEDULE OF BOND PRINCIPAL AND INTEREST PAYMENTS**

JUNE 30, 2020

For the Year ending June 30,	\$3,400,000 Revenue Bond Dated August 24, 2010		\$12,275,000 Revenue Bond 2012 A Dated November 29, 2012		\$815,000 Revenue Bond 2012 B Dated November 29, 2012		\$282,294 Revenue Bond 2014 A Dated April 23, 2014		\$19,846,000 Revenue Bond 2015 A Dated September 3, 2015		\$2,721,000 Revenue Bond 2015 B Dated September 3, 2015		\$515,000 Revenue Bond 2017 A Dated August 21, 2017		\$435,000 Revenue Bond 2020 Dated March 26, 2020	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2021	\$ 3,500	\$ 175,000	\$ 97,726	\$ 1,110,000	\$ 17,523	\$ -	\$ 6,364	\$ 18,007	\$ 211,769	\$ 1,992,000	\$ 52,372	\$ 92,000	\$ 11,439	\$ 30,494	\$ 11,615	\$ 23,960
2022	-	-	84,602	10,000	17,523	-	5,749	18,622	167,688	3,156,000	49,246	272,000	10,618	31,315	10,975	24,599
2023	-	-	82,757	120,000	17,523	-	5,112	19,259	106,970	3,119,000	42,960	280,000	9,776	32,157	10,318	25,256
2024	-	-	79,279	125,000	17,523	-	4,453	19,918	46,484	3,177,000	36,514	285,000	8,911	33,022	9,644	25,931
2025	-	-	38,752	2,730,000	8,761	815,000	3,772	20,599	376	26,000	31,213	72,000	8,023	33,910	8,951	26,623
2026	-	-	-	-	-	-	3,067	21,304	-	-	28,270	299,000	7,111	34,822	8,240	27,334
2027	-	-	-	-	-	-	2,339	22,032	-	-	21,537	277,000	6,174	35,759	7,511	28,064
2028	-	-	-	-	-	-	1,585	22,786	-	-	15,412	238,000	5,212	36,721	6,761	28,813
2029	-	-	-	-	-	-	806	23,566	-	-	9,939	244,000	4,224	37,709	5,992	29,582
2030	-	-	-	-	-	-	-	-	-	-	2,874	251,000	3,210	38,722	5,202	30,372
2031	-	-	-	-	-	-	-	-	-	-	-	-	2,168	39,765	4,391	31,183
2032	-	-	-	-	-	-	-	-	-	-	-	-	1,098	40,834	3,559	32,016
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,704	32,870
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,826	33,748
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	925	34,649
	<u>\$ 3,500</u>	<u>\$ 175,000</u>	<u>\$ 383,116</u>	<u>\$ 4,095,000</u>	<u>\$ 78,853</u>	<u>\$ 815,000</u>	<u>\$ 33,247</u>	<u>\$ 186,093</u>	<u>\$ 533,287</u>	<u>\$ 11,470,000</u>	<u>\$ 290,337</u>	<u>\$ 2,310,000</u>	<u>\$ 77,964</u>	<u>\$ 425,230</u>	<u>\$ 98,614</u>	<u>\$ 435,000</u>
Current		<u>\$ 175,000</u>		<u>\$ 1,110,000</u>		<u>\$ -</u>		<u>\$ 18,007</u>		<u>\$ 1,992,000</u>		<u>\$ 92,000</u>		<u>\$ 30,494</u>		<u>\$ 23,960</u>
Noncurrent		<u>\$ -</u>		<u>\$ 2,985,000</u>		<u>\$ 815,000</u>		<u>\$ 168,086</u>		<u>\$ 9,478,000</u>		<u>\$ 2,218,000</u>		<u>\$ 394,736</u>		<u>\$ 411,040</u>

For the Year ending June 30,	\$7,350,000 GO Bond Dated October 3, 2007		\$1,781,694 Series 2009 GO Bond Dated July 30, 2009		\$3,970,000 GO Bond Dated September 28, 2010	
	Interest	Principal	Interest	Principal	Interest	Principal
2021	\$ 134,400	\$ 420,000	\$ 24,383	\$ 135,655	\$ 66,838	\$ 205,000
2022	117,600	440,000	18,660	141,378	60,687	210,000
2023	100,000	460,000	12,695	147,345	54,388	220,000
2024	81,600	480,000	6,479	153,559	47,787	230,000
2025	62,400	500,000	-	-	40,888	240,000
2026	42,400	520,000	-	-	33,687	245,000
2027	21,600	540,000	-	-	26,031	255,000
2028	-	-	-	-	18,062	265,000
2029	-	-	-	-	9,450	280,000
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
	<u>\$ 560,000</u>	<u>\$ 3,360,000</u>	<u>\$ 62,217</u>	<u>\$ 577,937</u>	<u>\$ 357,818</u>	<u>\$ 2,150,000</u>
Current		<u>\$ 420,000</u>		<u>\$ 135,655</u>		<u>\$ 205,000</u>
Noncurrent		<u>\$ 2,940,000</u>		<u>\$ 442,282</u>		<u>\$ 1,945,000</u>

<b>BOND TOTALS</b>		
Total Interest	Total Principal	Total
\$ 637,929	\$ 4,202,116	\$ 4,840,044
543,348	4,303,914	4,847,262
442,499	4,423,017	4,865,516
338,674	4,529,430	4,868,103
203,136	4,464,132	4,667,268
122,775	1,147,460	1,270,235
85,192	1,157,855	1,243,046
47,032	591,320	638,352
30,411	614,857	645,268
11,286	320,094	331,380
6,559	70,948	77,507
4,657	72,850	77,506
2,704	32,870	35,574
1,826	33,748	35,574
925	34,649	35,574
<u>\$ 2,478,953</u>	<u>\$ 25,999,260</u>	<u>\$ 28,478,213</u>
Plus: Net Premium/Discount	46,210	
Less: Current	<u>\$ (4,202,116)</u>	
	<u>\$ 21,843,354</u>	

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF NOTE PRINCIPAL AND INTEREST PAYMENTS**  
 JUNE 30, 2020

For the Year ending June 30,	\$530,000 SCJEDA Note Dated November 30, 1988		\$2,887,826 SRF GO Note Dated October 3, 2008		\$481,080 SIRF GO Note Dated April 14, 2008		\$2,921,430 SRF Revenue Note Dated July 23, 2014		\$3,750,000 SRF GO Note Dated September 10, 2014		\$1,397,774 SRF Revenue Note Dated August 23, 2018		<b>NOTE TOTALS</b>		
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Total Interest	Total Principal	Total
	2021	\$ -	\$ 18,000	\$ 29,377	\$ 152,025	\$ 8,050	\$ 25,498	\$ 22,967	\$ 138,380	\$ 52,306	\$ 157,493	\$ 21,482	\$ 56,021	\$ 134,182	\$ 547,417
2022	-	18,000	25,928	155,474	7,146	26,402	21,578	139,769	49,132	160,666	20,410	57,093	124,194	557,404	681,598
2023	-	7,939	22,500	158,902	6,210	27,339	20,185	141,172	45,895	163,904	19,317	58,185	114,107	557,441	671,548
2024	-	-	18,792	162,610	5,240	28,308	18,758	142,589	42,592	167,206	18,204	59,299	103,586	560,012	663,598
2025	-	-	15,102	166,300	4,236	29,312	17,327	144,020	39,223	170,576	17,069	60,434	92,957	570,642	663,599
2026	-	-	11,329	170,073	3,197	30,351	15,881	145,466	35,785	174,013	15,913	61,590	82,105	581,493	663,598
2027	-	-	7,470	173,932	2,120	31,428	14,421	146,926	32,279	177,519	14,734	62,769	71,024	592,574	663,598
2028	-	-	3,523	177,878	1,006	32,542	12,946	148,401	28,702	181,096	13,533	63,970	59,710	603,887	663,597
2029	-	-	254	45,196	73	8,314	11,457	149,890	25,053	184,746	12,309	65,194	49,146	453,340	502,486
2030	-	-	-	-	-	-	9,952	151,395	21,330	188,468	11,062	66,441	42,344	406,304	448,648
2031	-	-	-	-	-	-	8,433	152,914	17,532	192,266	9,790	67,713	35,755	412,893	448,648
2032	-	-	-	-	-	-	6,898	154,449	13,658	196,140	8,494	69,009	29,050	419,598	448,648
2033	-	-	-	-	-	-	5,347	156,000	9,706	200,093	7,174	70,329	22,227	426,422	448,649
2034	-	-	-	-	-	-	3,782	157,566	5,674	204,125	5,828	71,675	15,284	433,366	448,650
2035	-	-	-	-	-	-	2,200	159,147	1,560	155,788	4,456	73,046	8,216	387,981	396,197
2036	-	-	-	-	-	-	603	120,408	-	-	3,059	74,444	3,662	194,852	198,514
2037	-	-	-	-	-	-	-	-	-	-	1,634	75,869	1,634	75,869	77,503
2038	-	-	-	-	-	-	-	-	-	-	274	38,477	274	38,477	38,751
	<u>\$ -</u>	<u>\$ 43,939</u>	<u>\$ 134,275</u>	<u>\$ 1,362,390</u>	<u>\$ 37,278</u>	<u>\$ 239,494</u>	<u>\$ 192,735</u>	<u>\$ 2,348,492</u>	<u>\$ 420,427</u>	<u>\$ 2,674,099</u>	<u>\$ 204,742</u>	<u>\$ 1,151,558</u>	<u>\$ 989,457</u>	<u>\$ 7,819,972</u>	<u>\$ 8,809,429</u>
Current		<u>\$ 18,000</u>		<u>\$ 152,025</u>		<u>\$ 25,498</u>		<u>\$ 138,380</u>		<u>\$ 157,493</u>		<u>\$ 56,021</u>		<u>\$ 547,417</u>	
Noncurrent		<u>\$ 25,939</u>		<u>\$ 1,210,365</u>		<u>\$ 213,996</u>		<u>\$ 2,210,112</u>		<u>\$ 2,516,606</u>		<u>\$ 1,095,537</u>		<u>\$ 7,272,555</u>	

# STATISTICAL SECTION

## Statistical Section

The purpose of the statistical section is to provide additional information useful in assessing a government's financial condition. The statistical section provides information on financial trends, revenue capacity, debt capacity, operating information as well as demographic and economic information.

<b>Contents</b>	<b>Pages</b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time</i>	<b>80-85</b>
<b>Capital Assets</b> <i>These schedules contain infrastructure data which shows how the District's financial reports relate to its activities</i>	<b>86</b>
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators showing the environment in which the District operates</i>	<b>87-93</b>
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future</i>	<b>93-97</b>
<b>Other Operational Information</b> <i>These schedules contain operational and service information to convey how the District's financial reports relate to its services</i>	<b>98-101</b>

## Statements of Revenues, Expenses, and Debt Service per Bond Covenants<sup>10</sup>

### Last Ten Fiscal Years

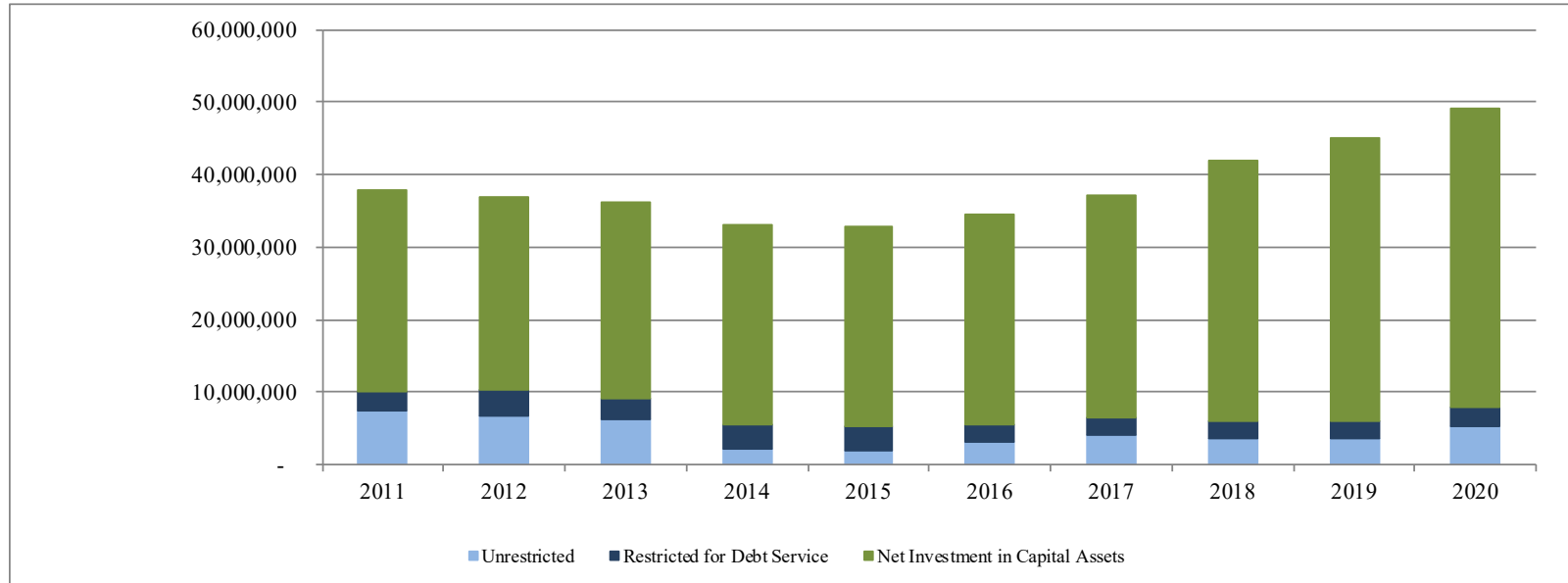
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Operating Revenues</b>										
Water Service	\$5,836,921	\$5,949,379	\$5,951,546	\$5,777,606	\$5,727,692	\$6,009,410	\$6,680,175	\$6,586,002	\$7,148,606	\$7,735,802
Sewer Service	4,208,115	4,522,434	4,623,093	4,736,919	4,838,019	5,056,081	5,143,168	5,226,965	5,408,090	5,719,313
Water Tap In Fees	43,041	41,861	61,925	124,837	106,202	96,427	137,423	213,517	180,487	240,179
Sewer Connection Fees	71,614	83,425	109,475	117,505	84,543	109,984	219,483	229,355	278,737	242,418
Availability Fees	610,332	638,137	623,076	597,582	565,423	525,302	506,930	491,474	38,391	23,015
Service Fees	73,245	51,108	36,645	44,174	42,646	39,113	29,105	34,059	182,516	155,676
Golf Course Irrigation	358,105	338,205	319,041	297,609	204,934	164,344	284,937	175,015	445,190	452,602
Disaster Recovery, net	-	-	-	-	-	-	58,691	115,466	3,942	86,502
Other Operating Revenues	80,342	15,539	14,727	17,771	21,264	284,775	28,676	53,566	48,281	91,432
<b>Total Operating Revenues</b>	<b>\$11,281,715</b>	<b>\$11,640,088</b>	<b>\$11,739,528</b>	<b>\$11,714,003</b>	<b>\$11,590,723</b>	<b>\$12,285,436</b>	<b>\$13,088,588</b>	<b>\$13,125,419</b>	<b>\$13,734,240</b>	<b>\$14,746,939</b>
<b>Operating Expenses</b>										
Payroll and Related Expenses	\$3,293,800	\$3,392,515	\$3,474,067	\$3,571,288	\$3,713,013	\$3,294,097	\$3,689,699	\$3,951,862	\$3,889,589	\$4,062,153
Administrative Expenses	792,437	923,287	783,768	789,686	793,893	756,507	871,478	964,121	964,018	1,006,662
Operations Expenses	1,639,353	1,761,310	1,686,667	1,667,542	1,571,114	1,563,548	1,798,365	1,797,278	1,729,876	1,855,061
Maintenance Expenses	1,012,322	987,389	1,038,224	1,125,413	1,006,240	1,247,020	1,059,412	1,355,604	1,324,519	1,143,332
Water Tap In Expenses	26,691	37,443	38,250	60,078	90,462	115,995	191,120	216,109	171,891	152,870
Sewer Connection Expenses	64,775	78,775	84,144	85,401	82,353	150,570	174,722	221,696	247,232	215,867
Purchased Water	1,024,455	1,028,789	817,441	622,629	791,096	543,661	1,017,482	1,116,669	1,170,368	675,174
ASR-1 Water	-	16,792	133,760	194,537	196,311	202,890	221,515	226,919	217,571	217,007
ASR-1 O&M	-	5,275	30,868	40,747	40,656	44,562	42,042	43,217	41,471	41,846
RO Plant O&M	581,270	604,539	607,876	533,249	618,024	723,049	691,148	714,136	702,486	688,297
Professional Fees	171,575	243,600	265,786	237,182	305,698	229,387	99,701	146,084	127,011	342,116
Vehicle Expenses	119,162	130,473	126,999	126,384	117,787	84,215	87,680	108,149	112,192	96,385
Depreciation	4,456,160	4,459,807	4,557,446	4,481,885	4,485,346	4,482,776	4,576,123	4,733,613	4,946,397	5,044,727
<b>Total Operating Expenses</b>	<b>\$13,181,999</b>	<b>\$13,669,995</b>	<b>\$13,645,296</b>	<b>\$13,536,021</b>	<b>\$13,811,992</b>	<b>\$13,438,277</b>	<b>\$14,520,488</b>	<b>\$15,595,458</b>	<b>\$15,644,621</b>	<b>\$15,541,497</b>
<b>Operating Income (Loss)</b>	<b>(1,900,284)</b>	<b>(2,029,907)</b>	<b>(1,905,768)</b>	<b>(1,822,017)</b>	<b>(2,221,269)</b>	<b>(1,152,841)</b>	<b>(1,431,899)</b>	<b>(2,470,039)</b>	<b>(1,910,381)</b>	<b>(794,558)</b>
<b>Non-Operating Revenues (Expenses)</b>										
Property Taxes-Debt Service	\$1,235,347	\$1,233,107	\$1,195,990	\$1,167,016	\$1,391,881	\$1,396,680	\$1,403,497	\$1,441,325	\$1,371,933	\$1,414,091
Property Taxes-Operations Levy	1,039,316	1,023,502	1,016,558	\$901,453	\$913,930	\$931,507	\$973,607	\$984,296	\$1,011,176	\$1,034,553
Interest Income	234,668	205,100	168,990	142,313	132,549	92,713	99,041	108,346	156,389	\$184,093
Tower Leases	465,355	423,468	506,687	531,703	508,185	471,540	531,964	462,986	485,678	\$625,067
Rental Income	81,493	80,235	79,641	80,096	80,579	78,552	79,115	79,068	79,757	\$79,758
Bond Issuance Costs	-	(31,250)	(226,335)	(38,685)	(67,329)	(119,950)	-	(69,609)	-	(42,056)
Amortization of Bond Costs	(209,256)	(239,272)	(216,004)	(223,222)	(223,222)	(243,693)	(256,428)	(256,428)	(256,428)	(256,428)
Gain (Loss) on Disposal	7,672	-	-	-	-	1,500	3,500	95,716	15,000	-
Interest Expense	(2,300,439)	(2,101,677)	(1,842,617)	(1,661,902)	(1,613,384)	(1,230,078)	(1,403,497)	(1,030,789)	(941,525)	(841,047)
<b>Total Non-Operating Income (Loss)</b>	<b>\$554,156</b>	<b>\$593,213</b>	<b>\$682,909</b>	<b>\$898,773</b>	<b>\$1,123,190</b>	<b>\$1,378,771</b>	<b>\$1,742,486</b>	<b>\$1,814,909</b>	<b>\$1,921,980</b>	<b>\$2,198,031</b>
<b>Net Income (loss) before Capital per Financial Statements</b>	<b>(\$1,346,128)</b>	<b>(\$1,436,695)</b>	<b>(\$1,222,859)</b>	<b>(\$923,245)</b>	<b>(\$1,098,079)</b>	<b>\$225,930</b>	<b>\$310,587</b>	<b>(\$655,130)</b>	<b>\$11,599</b>	<b>\$1,403,473</b>
Capacity Fees	309,857	394,546	79,240	477,179	631,652	585,744	565,093	565,672	878,264	864,478
Add: Depreciation	4,456,160	4,459,807	4,557,446	4,481,885	4,485,346	4,482,776	4,576,123	4,733,613	4,946,397	5,044,727
Net Pension Expense	-	-	-	-	288,870	298,810	251,759	514,614	382,374	560,016
SCRS Retirement Contributions	-	-	-	-	(241,688)	(222,257)	(272,562)	(307,158)	(352,212)	(367,120)
Amortization	209,256	239,272	169,938	223,222	223,222	243,693	256,428	256,428	256,428	256,428
Bond Issuance Costs	-	31,250	226,335	38,685	67,329	119,950	-	69,609	-	42,056
Interest Expense (Bonds)	2,300,439	2,101,677	1,842,617	1,661,902	1,613,384	1,230,078	1,403,497	1,030,789	941,525	841,047
Assessments - Debt Service	550,586	396,027	415,758	382,702	486,300	452,658	157,973	190,300	190,184	188,409
Less: Property Taxes - Debt Service	(1,235,347)	(1,233,107)	(1,195,990)	(1,167,016)	(1,391,881)	(1,396,680)	(1,403,497)	(1,441,325)	(1,371,933)	(1,414,091)
<b>Net Earnings Available for Debt Service</b>	<b>\$5,244,823</b>	<b>\$4,952,778</b>	<b>\$4,872,485</b>	<b>\$5,175,313</b>	<b>\$5,064,454</b>	<b>\$6,020,702</b>	<b>\$5,534,814</b>	<b>\$4,957,414</b>	<b>\$5,882,626</b>	<b>\$7,419,423</b>
<b>Debt Service on Revenue Bonds</b>	<b>\$3,477,484</b>	<b>\$3,660,650</b>	<b>\$4,037,286</b>	<b>\$3,504,185</b>	<b>\$3,987,537</b>	<b>\$3,441,323</b>	<b>\$3,923,462</b>	<b>\$4,008,312</b>	<b>\$4,040,662</b>	<b>\$4,048,243</b>
<b>Required per Bond Covenants</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>
<b>Coverage of Debt Service by Net Earnings</b>	<b>151%</b>	<b>135%</b>	<b>121%</b>	<b>148%</b>	<b>127%</b>	<b>175%</b>	<b>141%</b>	<b>124%</b>	<b>146%</b>	<b>183%</b>
<b>Debt Coverage without Capacity Fees</b>	<b>142%</b>	<b>125%</b>	<b>119%</b>	<b>134%</b>	<b>111%</b>	<b>158%</b>	<b>127%</b>	<b>110%</b>	<b>124%</b>	<b>162%</b>

<sup>10</sup> Please note that fiscal years 2014 and onward reflect the implementation of GASB 68. 2012 and onward reflect implementation of GASB 63 and GASB 65.

### Schedule of Change in Net Position<sup>11</sup>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Income (Loss from operations)	\$ (1,900,284)	\$ (2,029,907)	\$ (1,905,768)	\$ (1,822,017)	\$ (2,221,269)	\$ (1,152,841)	\$ (1,431,899)	\$ (2,470,039)	\$ (1,910,381)	\$ (794,558)
Total Non-Operating Income (Loss)	554,156	593,213	682,909	898,773	1,123,190	1,378,771	1,742,486	1,814,909	1,921,980	2,198,031
Capital Contributions and Assessments	696,652	1,348,696	553,337	1,905,385	894,531	1,404,843	2,334,412	5,452,119	3,213,569	2,528,490
Changes in net position	(649,476)	(87,999)	(669,522)	982,140	(203,548)	1,630,772	2,644,999	4,796,990	3,225,168	3,931,963
Effect of prior period adjustments on net position										
Cumulative adjustment - adoption of GASB Statement No. 68				(4,063,319)						
Cumulative adjustment - adoption of GASB Statement No. 65		(992,288)								
Net position at beginning of year, as previously reported	37,913,644	37,913,644	37,913,644	37,913,644	37,913,644	37,913,644	37,913,644	37,913,644	37,913,644	37,913,644
Net position at beginning of year as previously reported	38,563,120	36,921,356	36,833,358	36,163,836	33,082,657	32,879,109	34,509,881	37,154,881	41,951,871	45,177,039
Net position at end of year	\$ 37,913,644	\$ 36,833,357	\$ 36,163,836	\$ 33,082,657	\$ 32,879,109	\$ 34,509,881	\$ 37,154,881	\$ 41,951,871	\$ 45,177,039	\$ 49,109,002

### Net Position at End of Year



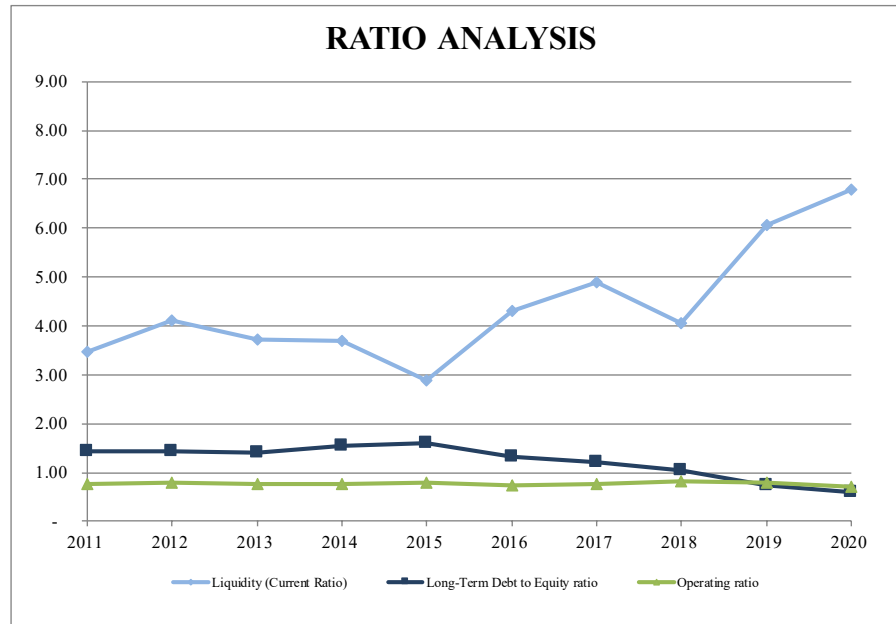
<sup>11</sup> Please note that fiscal years 2014 and onward reflect the implementation of GASB 68. 2012 and onward reflect implementation of GASB 63 and GASB 65.

## Net Position by Component<sup>12</sup>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Net position</b>										
Net investment in capital assets	\$27,806,556	\$26,621,121	\$27,016,214	\$27,495,374	\$27,588,236	\$28,981,560	\$30,631,424	\$36,023,464	\$39,248,405	\$41,211,563
Restricted for debt service	2,779,466	3,419,743	2,885,019	3,377,968	3,426,103	2,482,528	2,406,220	2,425,274	2,412,700	2,570,882
Unrestricted	<u>7,327,622</u>	<u>6,792,494</u>	<u>6,262,603</u>	<u>2,209,315</u>	<u>1,864,770</u>	<u>3,045,794</u>	<u>4,117,237</u>	<u>3,503,133</u>	<u>3,515,934</u>	<u>5,326,557</u>
Net position	<u>\$37,913,644</u>	<u>\$36,833,358</u>	<u>\$36,163,836</u>	<u>\$33,082,657</u>	<u>\$32,879,109</u>	<u>\$34,509,882</u>	<u>\$37,154,881</u>	<u>\$41,951,871</u>	<u>\$45,177,039</u>	<u>\$49,109,002</u>

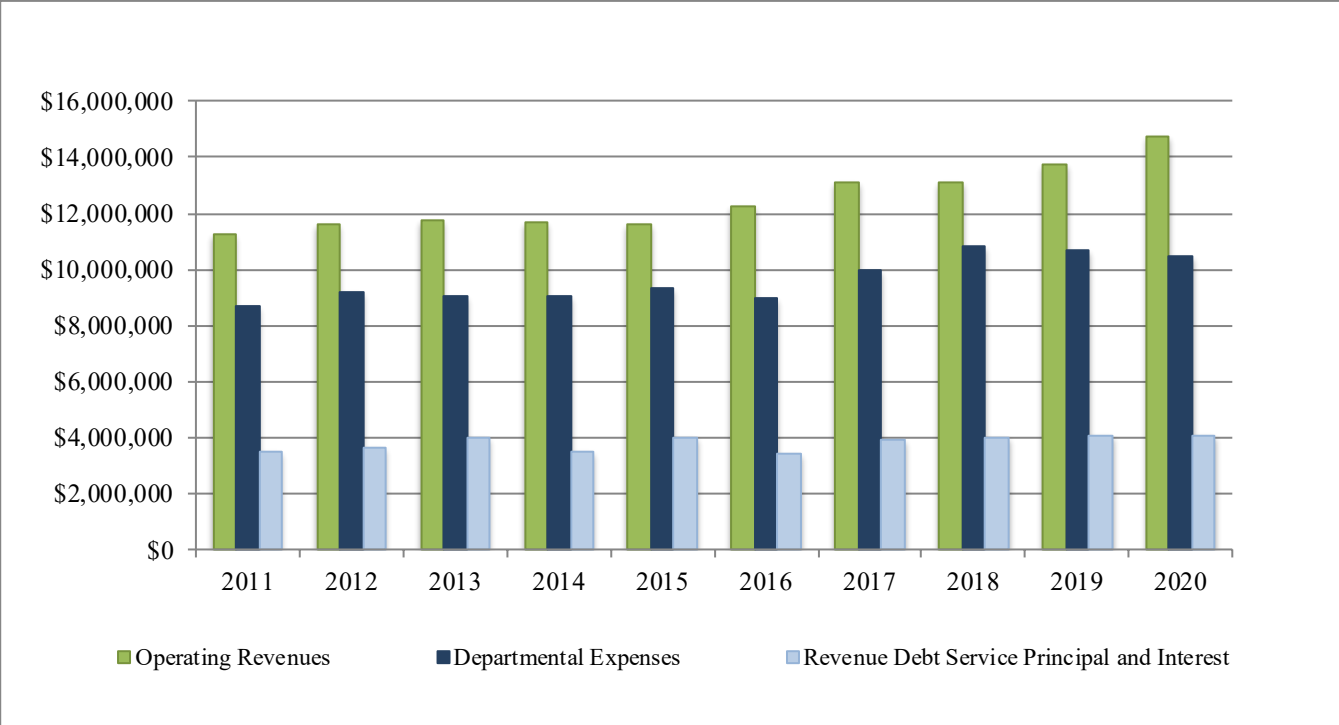
## Ratio Analysis

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Liquidity (Current Ratio)	3.46	4.12	3.72	3.69	2.88	4.30	4.89	4.05	6.05	6.79
Long-Term Debt to Equity ratio	1.43	1.43	1.39	1.55	1.59	1.31	1.22	1.03	0.74	0.59
Operating ratio	0.77	0.79	0.77	0.77	0.80	0.73	0.76	0.83	0.78	0.71



<sup>12</sup> Please note that fiscal years 2014 and onward reflect the implementation of GASB 68. Fiscal years 2012 and onward reflect implementation of GASB 63 and GASB 65.

**Operating Revenues, Expense Excluding Depreciation and Revenue Debt Service (P&I)**

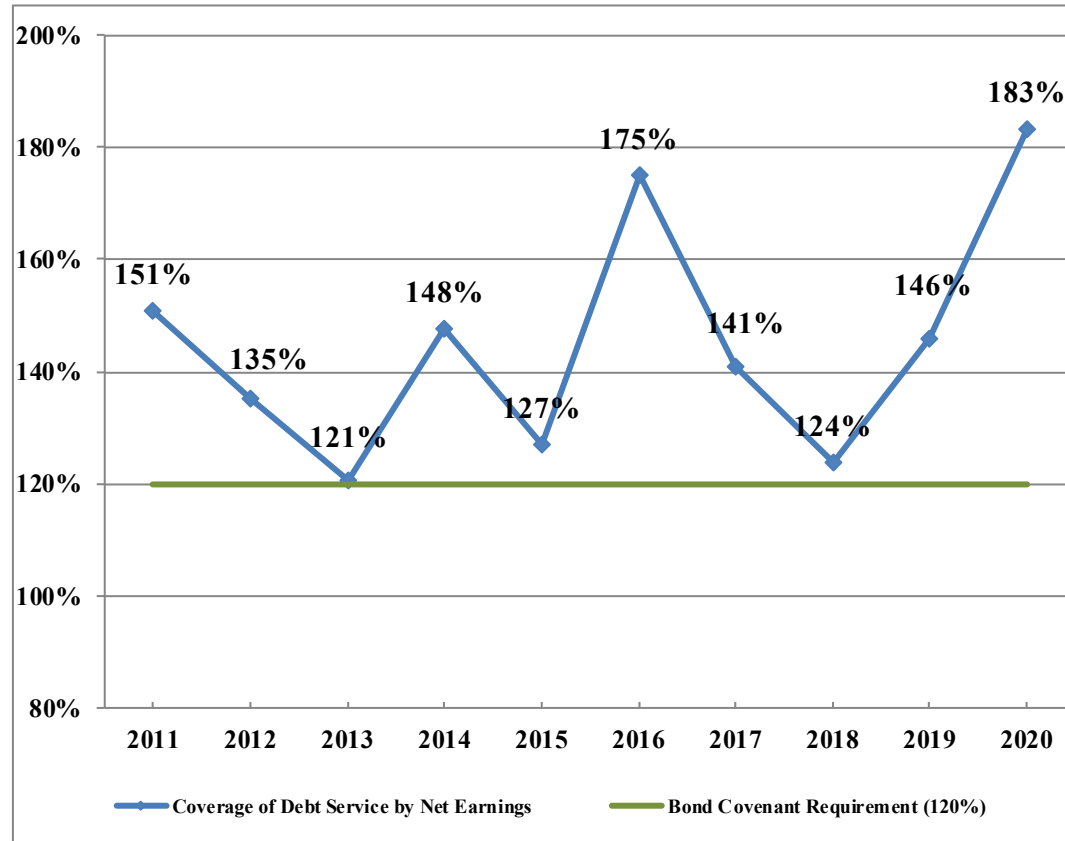


### Total Outstanding Debt by Debt Type

Fiscal Year	GO Bonds	Revenue Bonds	SRF Revenue Loans*	SRF GO Loans	Notes Payable	Total Outstanding Debt	Bond Premiums / discounts	Total Outstanding Debt Net of Amortization	Average Debt Per Customer
2011	11,866,601	36,906,574	6,100,698	3,018,480	205,939	58,098,292	922,848	59,021,140	3,383
2012	11,313,078	41,004,952	-	2,877,671	187,939	55,383,640	812,333	56,195,973	3,212
2013	10,740,609	39,713,937	-	2,731,331	169,939	53,355,816	45,050	53,400,866	3,034
2014	10,144,028	37,704,831	-	2,581,424	151,939	50,582,222	45,019	50,627,241	2,848
2015	9,528,162	34,677,573	2,563,810	5,015,406	133,939	51,918,891	44,988	51,963,879	2,905
2016	8,887,829	31,888,358	2,888,397	5,528,734	115,939	49,309,257	80,774	49,390,031	2,748
2017	8,222,841	28,770,617	2,755,436	5,237,548	97,939	45,084,382	72,133	45,156,515	2,487
2018	7,533,001	26,078,181	3,769,233	4,924,110	79,939	42,384,464	63,492	42,447,956	2,303
2019	6,823,102	22,811,429	3,692,024	4,603,642	61,939	37,992,136	54,851	38,046,987	2,047
2020	6,087,937	19,911,323	3,500,050	4,275,983	43,939	33,819,232	46,210	33,865,442	1,803

Reference Note 7 on page 51 and Summary Schedule of Debt on pages 75 for supporting documentation. GASB 63 was implemented in fiscal year 2012 and deferred refunding are now reported as deferred outflows from refunding debt.

### Debt Service Coverage Analysis<sup>13</sup>



<sup>13</sup> Bond covenants require that the District maintain and collect rates and charges which together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding.

## Schedule of Changes in Capital Assets

Last Ten Fiscal Years

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Fiscal Year 2011 Reclassifications</u>	<u>June 30, 2020</u>
<b>Capital assets not being depreciated:</b>						
Land	\$ 1,299,194	-	-	-	-	\$ 1,299,194
Construction in Progress	3,514,449	30,090,171	(131,904)	(33,415,009)	-	57,707
Total Capital Assets not being depreciated	4,813,643	30,090,171	(131,904)	(33,415,009)	-	1,356,901
<b>Capital assets being depreciated:</b>						
Waterworks system	51,129,252	1,097,577	(1,244,331)	12,356,687	257,862	63,597,046
Sewage disposal system	30,390,298	1,788,677	(466,162)	20,214,117	1,596,254	53,523,184
Buildings	4,314,370	52,038	-	39,579	(14,858)	4,391,129
Sewage treatment facilities	36,638,501	627,809	(447,601)	251,533	(1,927,081)	35,143,163
Transportation equipment	690,940	870,937	(466,242)	-	224,208	1,319,843
Operations furniture and equipment	1,875,442	475,374	(610,706)	356,943	(235,457)	1,861,596
Office furniture and equipment	594,178	231,598	(172,113)	-	99,072	752,734
Sub Total	125,632,981	5,144,010	(3,407,155)	33,218,859	-	160,588,695
Less Accumulated depreciation	(49,097,940)	(41,768,119)	3,377,870	-	-	(87,488,189)
Total capital assets being depreciated, net	76,535,041	(36,624,109)	(29,285)	33,218,859	-	73,100,506
Year End Totals	\$ 81,348,684	(6,533,938)	(161,189)	(196,150)	-	\$ 74,457,407

## Schedule of Net Property, Plant, & Equipment (PP&E)

Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
PP&E	\$ 126,932,175	\$ 134,001,976	\$ 135,459,397	\$ 137,039,159	\$ 138,683,537	\$ 146,346,818	\$ 147,901,161	\$ 155,357,839	\$ 156,261,306	\$ 161,887,889
Accumulated Depreciation	(49,097,940)	(53,557,747)	(57,977,115)	(62,222,569)	(65,972,348)	(70,288,692)	(74,619,859)	(78,115,155)	(82,552,877)	(87,488,189)
Net PP&E in Service	77,834,235	80,444,229	77,482,282	74,816,590	72,711,189	76,058,127	73,281,302	77,242,684	73,708,429	74,399,700
Construction in Progress	3,514,449	553,892	441,125	1,625,744	5,926,019	785,002	1,457,297	513,974	2,802,108	57,707
Net PP&E	\$ 81,348,684	\$ 80,998,121	\$ 77,923,407	\$ 76,442,334	\$ 78,637,208	\$ 76,843,129	\$ 74,738,599	\$ 77,756,658	\$ 76,510,537	\$ 74,457,407

### Customer Statistics at Fiscal Year-End<sup>14</sup>

Number of Water vs. Wastewater Customers at Fiscal Year-end

<b>Year</b>	<b>Water</b>	<b>Percent Increase</b>	<b>Wastewater</b>	<b>Percent Increase</b>	<b>Ratio of Customers with Both Services</b>
2011	16,395	0.5%	15,030	0.9%	91.7%
2012	16,441	0.3%	15,109	0.5%	91.9%
2013	16,540	0.6%	15,260	1.0%	92.3%
2014	16,705	1.0%	15,486	1.5%	92.7%
2015	16,867	1.0%	15,633	0.9%	92.7%
2016	16,899	0.2%	15,758	0.8%	93.2%
2017	17,076	1.0%	15,961	1.3%	93.5%
2018	17,345	1.6%	16,258	1.9%	93.7%
2019	17,503	2.5%	16,473	1.3%	94.1%
2020	17,693	1.1%	16,693	1.3%	94.3%

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<sup>14</sup> These totals do not include irrigation meters.

**Billings at Fiscal Year-End (Just Water, No Irrigation Meters)**

Reported in kgals (thousands of gallons)

Year	Just Water Meters	Percent Increase	Wastewater	% Inc
2011	1,644,020	10.6%	1,426,486	11.5%
2012	1,656,442	0.8%	1,425,564	-0.1%
2013	1,605,369	-3.1%	1,393,724	-2.2%
2014	1,537,065	-4.3%	1,320,838	-5.2%
2015	1,439,514	-6.3%	1,274,826	-3.5%
2016	1,475,858	2.5%	1,275,251	0.03%
2017	1,819,663	23.3%	1,573,203	23.4%
2018	1,640,939	-9.8%	1,402,469	-10.9%
2019	1,680,080	2.4%	1,474,373	5.1%
2020	1,740,042	3.6%	1,526,212	3.5%

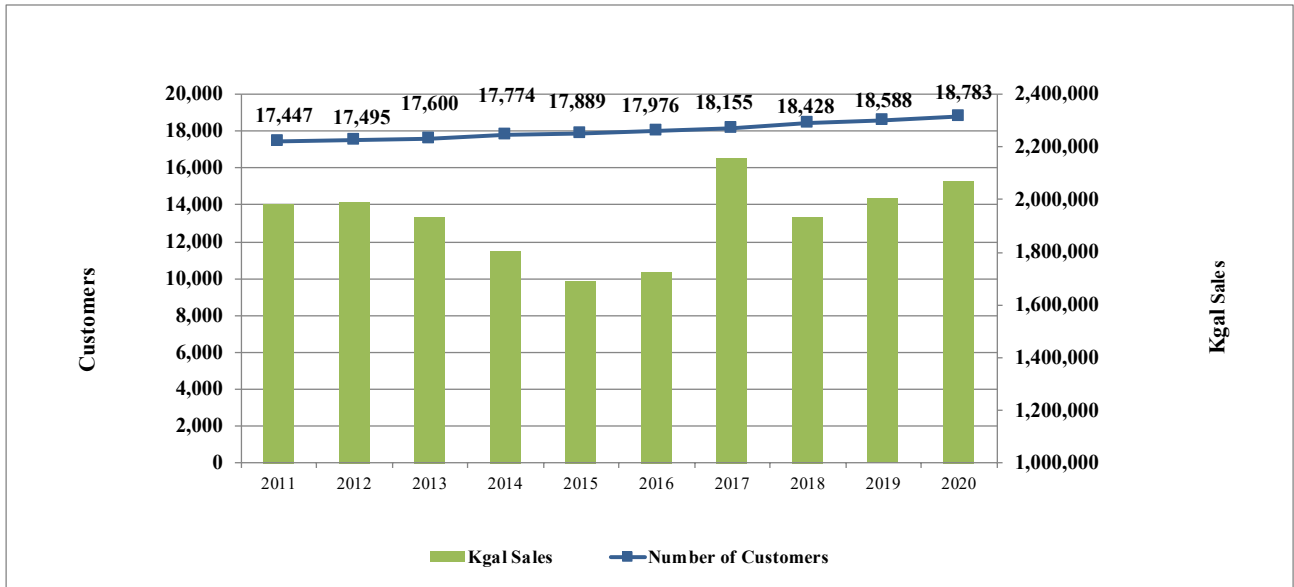
**Billings at Fiscal Year-End (Water and Irrigation Meters)**

Reported in kgals (thousands of gallons)

Year	Water & Irrigation Meters	Percent Increase	Wastewater	% Inc
2011	1,983,289	11.8%	1,426,486	11.5%
2012	1,986,913	0.2%	1,425,564	-0.1%
2013	1,935,918	-2.6%	1,393,724	-2.2%
2014	1,806,920	-6.7%	1,320,838	-5.2%
2015	1,692,874	-6.3%	1,274,826	-3.5%
2016	1,724,451	1.9%	1,275,251	0.03%
2017	2,159,321	25.2%	1,573,203	23.4%
2018	1,933,031	-10.5%	1,402,469	-10.9%
2019	2,006,513	3.8%	1,474,373	5.1%
2020	2,068,280	3.1%	1,526,212	3.5%

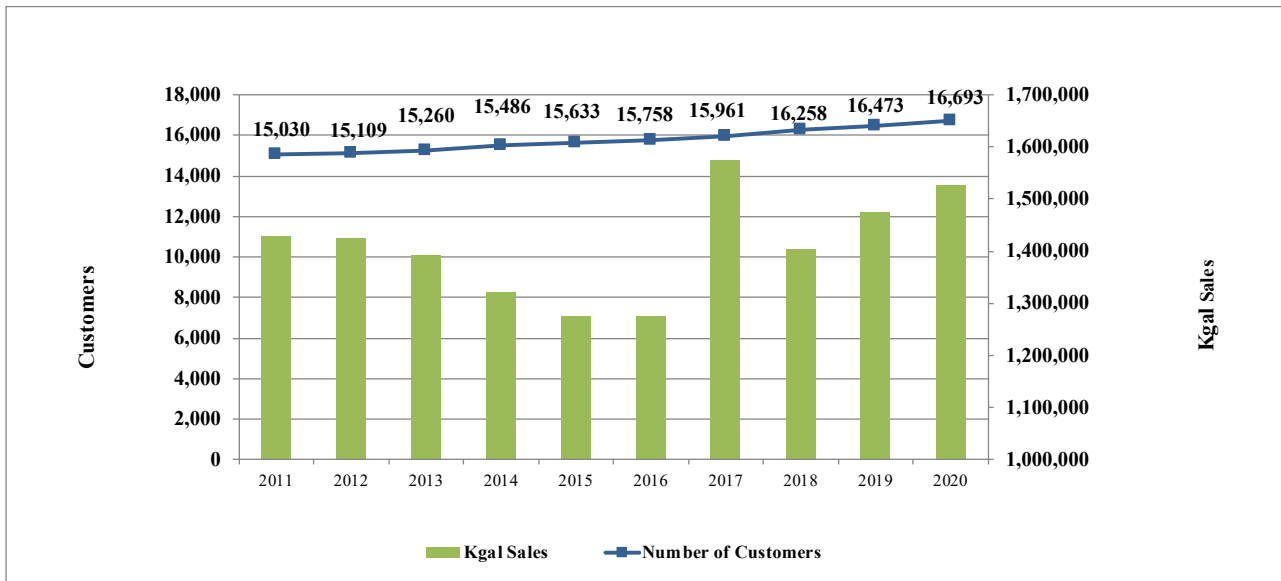
## Water/Irrigation Customers vs. Water/Irrigation Kgal Sales

Last Ten Fiscal Years



## Sewer Customers vs. Wastewater Kgal Sales

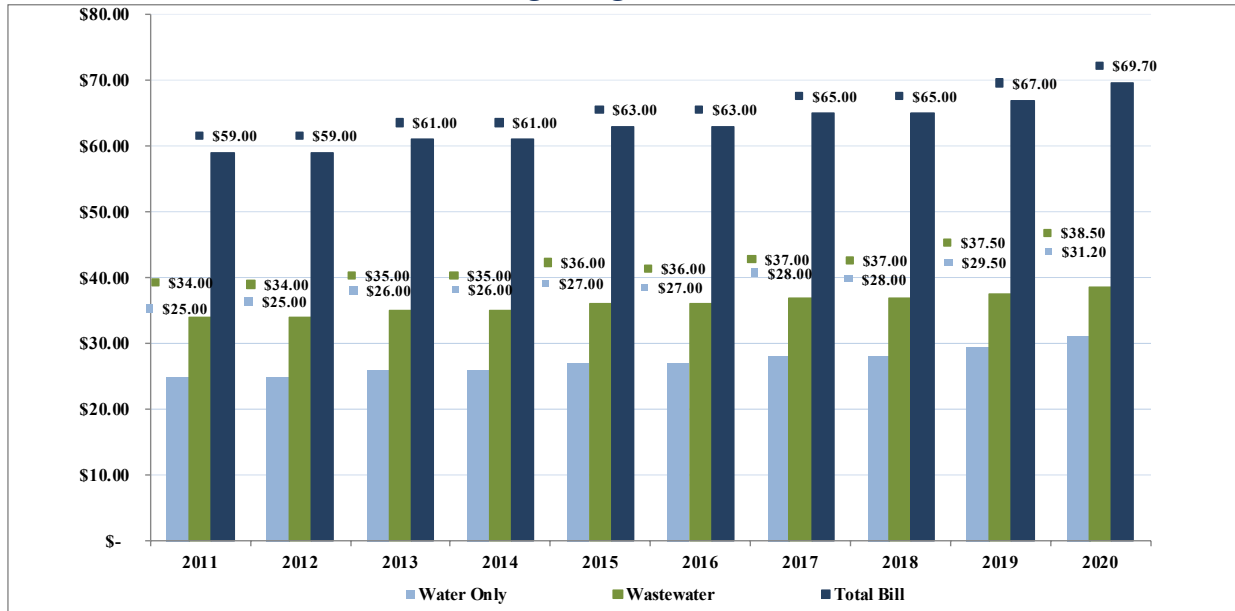
Last Ten Fiscal Years



## Water and Wastewater Rate Comparisons

<b>Water Rate Comparison</b>											
Effective Date											
		FY'11 (1)	FY'12	FY'13 (2)	FY'14	FY'15 (3)	FY'16	FY'17	FY'18	FY'19	FY'20
Residential Water	Base Charge	\$ 11.00	\$ 11.00	\$ 12.00	\$ 12.00	\$ 13.00	\$ 13.00	\$ 14.00	\$ 14.00	\$ 15.50	\$ 16.50
	First 10,000 Gallons	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.47
	Next 10,001 to 20,000 gallons	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82
	Next 20,001 to 30,000 gallons	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.18	\$ 2.27
	Over 30,000 gallons	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.60	\$ 2.79
Residential Irrigation	Base Charge	\$ 11.00	\$ 11.00	\$ 12.00	\$ 12.00	\$ 13.00	\$ 13.00	\$ 14.00	\$ 14.00	\$ 15.50	\$ 16.50
	First 10,000 Gallons Irrigation	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82
	Next 10,001 to 20,000 gallons	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82
	Next 20,001 to 30,000 gallons	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.18	\$ 2.27
	Over 30,000 gallons	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.60	\$ 2.79
Commercial Water and Irrigation	Base Charge	\$ 16.00	\$ 16.00	\$ 17.00	\$ 17.00	\$ 18.00	\$ 18.00	\$ 19.00	\$ 19.00	\$ 20.50	\$ 21.50
	First 10,000 Gallons	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69
	Next 10,001 to 20,000 gallons	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 2.01	\$ 2.04
	Next 20,001 to 30,000 gallons	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.52	\$ 2.52
	Over 30,000 gallons	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.97	\$ 3.07
(1) Effective January 1, 2011 (2) Effective January 1, 2013 (3) Effective January 1, 2015											
<b>Wastewater Rate Comparison</b>											
Effective Date											
		FY'11 (1)	FY'12	FY'13 (2)	FY'14	FY'15 (3)	FY'16	FY'17	FY'18	FY'19	FY'20
Residential	Base Charge	\$ 14.00	\$ 14.00	\$ 15.00	\$ 15.00	\$ 16.00	\$ 16.00	\$ 17.00	\$ 17.00	\$ 17.50	\$ 18.50
	Per 1,000 gallons with 10 kgal Cap	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Commercial	Base Charge	\$ 14.00	\$ 14.00	\$ 15.00	\$ 15.00	\$ 16.00	\$ 16.00	\$ 17.00	\$ 17.00	\$ 17.50	\$ 18.50
	Per 1,000 gallons (No Cap)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
(1) Effective January 1, 2011 (2) Effective January 1, 2013 (3) Effective January 1, 2015											

## Water/Wastewater Bill History (Residential Customers Using 10 Kgals/Month)



### Water and Sewer Installation Fees

<b>Water meter installation fees (existing service lines)</b>	2011	2012	2013**	2014	2015	2016	2017	2018	2019	2020
3/4" Meter	\$ 430	\$ 430	\$ 640	\$ 640	\$ 640	\$ 640	\$ 640	\$ 640	\$ 640	\$ 1,020
1" Meter	570	570	850	850	850	850	850	850	850	1,280
2" Meter with meter box and backflow	2,090	2,090	2,330	2,330	2,330	2,330	2,330	2,330	2,330	2,720
3" Meter with meter box and backflow (Time and Material)*	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
<b>Water meter installation fees (no existing service lines)</b>	2011	2012	2013**	2014	2015	2016	2017	2018	2019	2020
3/4" Meter	\$ 430	\$ 430	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,210
1" Meter	570	570	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,450
2" Meter with meter box and backflow	2,090	2,090	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
3" Meter with meter box and backflow (Time and Material)*	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
* T&M equals Time and Materials										
** Rate change 7/1/2013										
<b>Sewer Installation Fees for fiscal years 2007 through 2016:</b>										
A. Sewer Service Installation Fee Individual 4 Inch Lateral: \$1,200										
feet in depth: Time and Materials										
<b>Sewer Inspection Fee:</b>										
The PSD charges a one-time Sewer Inspection Fee of \$100 to new customers at the time they connect to the sewer system. The fee covers the cost of the PSD inspecting the new connection to make sure it meets PSD requirements.										
More information is available at: <a href="http://www.hhpsd.com/about-hhpsd/customer-service/">http://www.hhpsd.com/about-hhpsd/customer-service/</a>										

### Capacity Fees

The District requires developers to pay capacity fees in order to defray the cost of providing expanded service to the area to be developed per residential equivalency unit. The District offers a one-year, interest free, payment plan for all capacity fees. The installments are placed on a customer's utility bill.	
Capacity Fee (per unit)	
Water Capacity (House)	\$2,400.00
Water Capacity (Mobile Home)	\$1,800.00
Sewer Capacity	\$3,040.00
* The same water and sewer capacity fees have been in effect since 2005.	

## Population per Capita Income

	<i>Hilton Head</i>		<i>Beaufort County</i>		<i>South Carolina</i>	
<b>Year</b>	<b>Population</b>	<b>Per Capita</b>	<b>Population</b>	<b>Per Capita</b>	<b>Population</b>	<b>Per Capita</b>
2010	37,099	\$ 40,798	155,215	\$ 41,662	4,635,835	\$ 24,359
2011	37,585	41,846	162,233	43,584	4,673,348	24,109
2012	38,366	39,703	164,684	45,122	4,723,723	24,457
2013	38,375	40,853	168,049	45,222	4,774,839	24,407
2014	40,039	47,049	171,838	46,137	4,832,482	24,936
2015	40,456	46,091	175,852	47,664	4,896,146	25,951
2016	40,512	44,869	179,859	49,914	4,961,119	27,016
2017	40,500	47,454	183,149	55,147	5,024,369	25,521
2018	39,639	50,289	186,844	53,766	5,084,127	27,909
2019	39,861	51,773	188,715	56,711	5,148,714	27,986

Source: Bureau of Economic Analysis, Regional Economic Information Systems, U.S. Census Bureau

## Beaufort County Top Employers 2019

<b>Employer</b>	<b>Employees</b>	<b>Type of Business</b>
Atlantic Personnel Inc.	*	Employment Company
Beaufort County School District	*	Educational
Beaufort Memorial Hospital	*	Health Services
Carecore National LLC	*	Health Services
County of Beaufort	*	Government
Cypress Club Inc.	*	Property
Department of Defense	*	Government
Gregory M Parker Inc.	*	Gas Stations/Convenience Stores
Hargray Communications	*	Telecommunications
Lowe's Home Centers Inc.	*	Home Improvement
Marine Corps Community Services	*	Government
Marriott Resorts Hospitality Corporation	*	Hospitality
Montage Hotels and Resorts LLC	*	Hospitality
Publix Super Markets Inc.	*	Grocery
Sea Pines Resorrt LLC	*	Hospitality
Sitel Operating Corporation	*	Computer/Telecommunications Support
Tenet Physician Services of Hilton Head	*	Health Services
The Greenery Inc.	*	Landscaping
The Kroger Company	*	Grocery
Wal-Mart Associates Inc.	*	Retail

\* South Carolina Department of Employment & Workforce would provide only the top twenty employers.

## Beaufort County Labor Force and Employment

Category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Civilian Labor Force	65,336	65,469	65,919	67,239	69,435	71,661	72,535	74,104	75,517	79,798
Employment	59,684	59,777	60,939	62,946	65,493	67,748	69,081	71,113	73,082	77,165
Unemployment	5,652	5,692	4,980	4,293	3,942	3,913	3,454	2,991	2,435	2,633
Unemployment Rate	5.20%	9.10%	8.80%	8.80%	7.90%	5.60%	5.00%	4.00%	3.4%	3.3%

Source: U.S. Sensus Bureau and U.S. Bureau of Labor Statistics

## Unemployment Rate Comparison

Year	County	South Carolina	United States
2010	5.2%	11.2%	9.6%
2011	9.1%	10.6%	8.9%
2012	8.8%	9.2%	8.1%
2013	8.8%	7.6%	7.4%
2014	7.9%	6.5%	6.2%
2015	5.6%	6.0%	5.3%
2016	5.0%	5.0%	4.9%
2017	4.0%	4.3%	4.4%
2018	3.4%	3.4%	3.9%
2019	3.3%	2.9%	3.7%

Source: South Carolina Department of Employment and Workforce and the Bureau of Labor Statistics.

## The District's Millage History

Debt Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Debt Service	<u>3.52</u>	<u>3.90</u>	<u>3.52</u>	<u>4.61</u>	<u>4.57</u>	<u>4.31</u>	<u>4.40</u>	<u>4.05</u>	<u>4.10</u>	<u>4.20</u>
Total	6.52	6.90	6.52	7.61	7.57	7.31	7.40	7.05	7.10	7.20

## Ratio of (net) General Obligation Bonded Debt<sup>15</sup>

Fiscal Year	Tax Year	General Obligation Debt	Real Property		Motor Vehicle & Other		Total Estimated Actual Values	Ratio of (net) General bonded debt
			Assessed Value at 4% & 6%	Estimated Actual Value	Assessed Value Various Rates	Estimated Actual Value		
2011	2010	\$ 14,885,081	\$ 313,617,671	\$ 8,365,073,096	\$ 39,727,580	\$ 472,289,680	\$ 8,837,362,776	0.17%
2012	2011	14,190,749	312,690,790	8,213,684,522	35,510,900	438,254,750	8,651,939,272	0.16%
2013	2012	13,471,940	310,941,545	8,175,842,216	34,838,110	439,098,920	8,614,941,136	0.16%
2014 (1)	2013 (1)	12,725,452	271,113,330	6,240,477,456	34,209,810	443,934,190	6,684,411,646	0.19%
2015	2014	14,543,567	273,689,810	6,292,159,456	37,841,050	486,066,160	6,778,225,616	0.21%
2016	2015	14,416,563	276,766,480	6,374,778,755	40,419,860	527,077,690	6,901,856,445	0.21%
2017	2016	13,460,389	280,372,310	6,463,470,955	46,618,080	578,551,170	7,042,022,125	0.19%
2018	2017	12,457,111	286,061,400	6,593,162,755	47,799,978	597,464,630	7,190,627,385	0.17%
2019	2018	11,426,744	305,078,770	7,236,129,455	47,973,493	587,625,970	7,823,755,425	0.15%
2020	2019	10,363,920	311,484,940	7,345,163,455	42,889,611	547,543,940	7,892,707,395	0.13%

Source: Beaufort County Treasurer. Reference page 98 Assessed Values of the District

(1) The County implemented its county-wide reassessment in fiscal year 2014.

<sup>15</sup> Total General Obligation debt equals GO Bonds and GO Notes Payable.

## General Obligation Outstanding Debt

Fiscal Year	Tax Year	Real Property	Personal Property(1)	Total Assessed Value of the District (1)	8% Debt Limit Value	Total Outstanding GO Debt	Available Debt Limit	Percent of Debt Limit	Average Debt Per Customer	Number of Customers
2011	2010	\$ 313,617,671	\$ 39,727,580	\$ 353,345,251	\$ 28,267,620	\$ 14,885,081	\$ 13,382,539	53%	853	17,447
2012	2011	312,690,790	35,510,900	348,201,690	27,856,135	14,190,749	13,665,386	51%	811	17,495
2013	2012	310,941,545	34,838,110	345,779,655	27,662,372	13,471,940	14,190,432	49%	765	17,600
2014	2013 (2)	271,113,330	34,209,810	305,323,140	24,425,851	12,725,452	11,700,399	52%	716	17,774
2015	2014	273,689,810	37,841,050	311,530,860	24,922,469	14,543,567	10,378,902	58%	813	17,889
2016	2015	276,766,480	40,419,860	317,186,340	25,374,907	14,416,563	10,958,344	57%	802	17,976
2017	2016	280,372,310	46,618,080	326,990,390	26,159,231	13,460,389	12,698,842	51%	741	18,155
2018	2017	286,061,400	47,799,978	333,861,378	26,708,910	12,457,111	14,251,799	47%	676	18,428
2019	2018	305,078,770	47,973,493	353,052,263	28,244,181	11,426,744	16,817,437	40%	615	18,588
2020	2019	311,484,940	42,889,611	354,374,551	28,349,964	10,363,920	17,986,044	37%	552	18,783

Source: Beaufort County Treasurer's Office

(1) Figures do not include Merchant's Inventory, motor carrier reimbursement or manufacturer's depreciation reimbursement. Presently, there is no property in multi-county industrial parks or property otherwise subject to fee in lieu of taxes in the District. Reference the Assessed Values of Taxable Property of the District table on the following page.

(2) The County implemented its county-wide reassessment in fiscal year 2013.

The above table shows the then outstanding principal, authorized debt limit, available debt limit and other information regarding the District's general obligation indebtedness from FY 2011 through FY 2020.

### General Obligation Debt Limit

Section 14 of Article X of the Constitution of the State of South Carolina (the "State") provides that subsequent to November 30, 1977, the special purpose districts of the State may issue bonded indebtedness in an amount not exceeding eight percent (8%) of the assessed value of all taxable property therein. The assessed value of all taxable property located within the District for the year 2019, which is the last completed assessment thereof, exclusive of properties subject to a fee in lieu of tax, is a sum of not less than \$354,374,551 and thus the eight percent (8%) debt limit of the District is not less than \$28,349,964. The District presently has the following bonded indebtedness chargeable against this limit:

Originally Issued	Date	Original Amount	Outstanding Balance as of June 30, 2020
Series 2007	October 3, 2007	\$ 7,350,000	\$ 3,360,000
SRF - Series 2007	January 23, 2008	2,876,532	1,362,390
SIRF - Series 2007	April 14, 2008	480,480	239,494
Series 2009	July 30, 2009	1,781,694	577,937
Series 2010	August 24, 2010	3,970,000	2,150,000
SRF - Series 2014	September 10, 2014	3,750,000	2,674,099
Total Indebtedness - GO Bonds		\$ 20,208,706	\$ 10,363,920

Source for Outstanding balance. Reference Summary Schedule of Debt on page 75.

### General Obligation Outstanding Debt

As of June 30, 2020, the outstanding aggregate principal amounts due on the GO Bonds was \$10,363,920 and includes: (A) \$3,360,000 in outstanding principal due on the 2007 Bonds; (B) \$1,362,390 in outstanding principal due on the SRF 2007 Bond; (C) \$239,494 in outstanding principal due on the SIRF 2007 Bond; (D) \$577,937 in outstanding principal due on the 2009 Bond; (E) \$2,150,000 in outstanding principal due on the 2010 Bond and (F) \$2,674,099 in outstanding principal due on the SRF 2014 Bond.

## Overlapping Debt

<b>Government Unit</b>	<b>Tax Year 2019 Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>a</sup></b>	<b>Estimated Share of Direct and Overlapping Debt</b>
<b>Debt repaid with property taxes</b>			
Beaufort County School District	\$ 314,416,321	17%	\$ 54,386,484
Beaufort County	197,277,817	17%	34,373,561
Town of Hilton Head	139,913,508	37%	52,331,818
<b>Subtotal, overlapping debt</b>			<b>141,091,863</b>
<b>Hilton Head No.1 PSD direct debt</b>			<b>10,363,920</b>
<b>Total direct and overlapping debt</b>			<b>\$ 151,455,783</b>
<p><b>Sources:</b> Assessed value data used to estimate applicable percentages provided by the Beaufort County Auditor/Treasurer's Office. Debt outstanding provided by each governmental unit.</p> <p><b>Notes:</b> Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Hilton Head No.1 Public Service District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and, therefore, responsible for repaying the debt--of each overlapping government.</p> <p><sup>a</sup>For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the District's boundaries dividing it by each unit's total taxable assessed value.</p>			

## Assessed Values of the District

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property</b>	<b>Personal Property(1)</b>	<b>Total</b>
2011	2010	\$ 313,617,671	\$ 39,727,580	\$ 353,345,251
2012	2011	312,690,790	35,510,900	348,201,690
2013	2012	310,941,545	34,838,110	345,779,655
2014	2013 (2)	271,113,330	34,209,810	305,323,140
2015	2014	273,689,810	37,841,050	311,530,860
2016	2015	276,766,480	40,419,860	317,186,340
2017	2016	280,372,310	46,618,080	326,990,390
2018	2017	286,061,400	47,799,978	333,861,378
2019	2018	305,078,770	47,973,493	353,052,263
2020	2019	311,484,940	42,889,611	354,374,551
Source: Beaufort County Treasurer's Office				
<p>(1) Figures do not include Merchant's Inventory, motor carrier reimbursement or manufacturer's depreciation reimbursement. Presently, there is no property in multi-county industrial parks or property otherwise subject to fee in lieu of taxes in the District.</p> <p>(2) The County implemented its county-wide reassessment in fiscal year 2014.</p>				

### Tax Year 2019 Market Value for the District

Classification	Assessed Value	Assessment Ratio	Market Value
1. Real Property and Mobile Homes	\$ 143,289,410	4.00%	\$ 3,896,378,200
2. Real Property and Mobile Homes	168,195,530	6.00%	3,448,785,255
3. Business Personal Property	4,399,350	10.50%	39,824,570
4. Merchant's Furniture, Fixtures and Equipment	1,221,374	10.50%	11,559,420
5. Motor Vehicles <sup>(1)</sup>	20,199,350	Various	317,978,160
6. Marine Equipment <sup>(2)</sup>	3,000,313	Various	47,546,550
7. Airplanes	178,080	4.00%	2,935,460
8. Manufacturing Property	173,730	10.50%	1,654,530
9. Public Utilities	11,598,080	10.50%	110,457,930
10. Rental Property and Signs <sup>(3)</sup>	2,119,334	Various	15,587,320
<b>Total</b>	<b>\$ 354,374,551</b>		<b>\$ 7,892,707,395</b>

Figures do not include Merchant's Inventory, motor carrier reimbursement or manufacturer's depreciation reimbursement. There is presently no property in multi-county industrial parks or property otherwise subject to fee in lieu of taxes in the District.

Source: Beaufort County Treasurer's Office

- (1) Includes personal automobiles and commercial vehicles, which are assessed at different ratios.
- (2) Includes personal watercraft and commercial fishing boats, which are assessed at different ratios.
- (3) Includes residential rental property and commercial signs, which are assessed at different ratios.

### Tax Collection Record for the District

Fiscal Year	Taxes Subject to Collection	Current Collections	Current % Collected	Delinquent Taxes Collected	Total Collections	Total % Collected
2010-2011	\$ 59,167,642	\$ 56,320,727	95.2%	\$ 161,774	\$ 56,482,501	95.5%
2011-2012	55,424,959	52,849,333	95.4%	163,278	53,012,611	95.6%
2012-2013	55,541,177	54,613,687	98.3%	114,378	54,728,065	98.5%
2013-2014	57,332,809	54,957,102	95.9%	825,387	55,782,489	97.3%
2014-2015	60,702,084	57,349,775	94.5%	735,673	58,085,448	95.7%
2015-2016	59,813,690	56,772,652	94.9%	998,112	57,770,764	96.6%
2016-2017	61,258,283	57,974,087	94.6%	1,004,279	58,978,366	96.3%
2017-2018	67,237,267	63,969,971	95.1%	842,101	64,812,072	96.4%
2018-2019	67,160,792	64,263,785	95.7%	901,174	65,164,959	97.0%
2019-2020	70,589,562	67,396,207	95.5%	1,259,426	68,655,633	97.3%

Source: Beaufort County Treasurer's Office

### Tax Year 2019 - District Largest Taxpayers

Employer	Type of Business	2019 Assessed Value	2019-20 Amounts Paid
Marriot Ownership Resort Inc	Real Estate	\$ 6,068,280	\$ 1,511,114
Palmetto Electric Coop	Utility	4,885,670	1,125,271
Hargray Telephone Company	Utility	4,570,180	1,120,317
SCG Hilton Head Property LLC	Real Estate	4,335,720	1,075,032
Barnwell Family Associates LLC	Real Estate	2,095,470	520,323
Bayshore Hilton Head	Medical	1,490,900	371,725
Time Warner Cable Southeast	Utility	1,325,550	323,169
BOKF Real Estate Holding LLC	Real Estate	1,118,880	311,333
Swope Properties LLC	Real Estate	978,390	291,349
Hilton Head Health System LP	Medical	1,104,280	283,300
Source: Beaufort County Treasurer's Office.			

### Full Time Equivalent Employees by Function

<b>Fiscal Year</b>	<b>Executive Staff</b>	<b>Finance &amp; Customer Service Staff</b>	<b>Operations Staff</b>	<b>Total</b>
2011	8	10	21	39
2012	8	10	21	39
2013	8	10	20	38
2014	8	9	21	38
2015	8	9	20	37
2016	7	9	19	35
2017	6	8	22	36
2018	6	8	22	36
2019	6	8	21	35
2020	5	8	23	36

### District Top Ten Water/Irrigation Customers

Fiscal year ended June 30, 2020

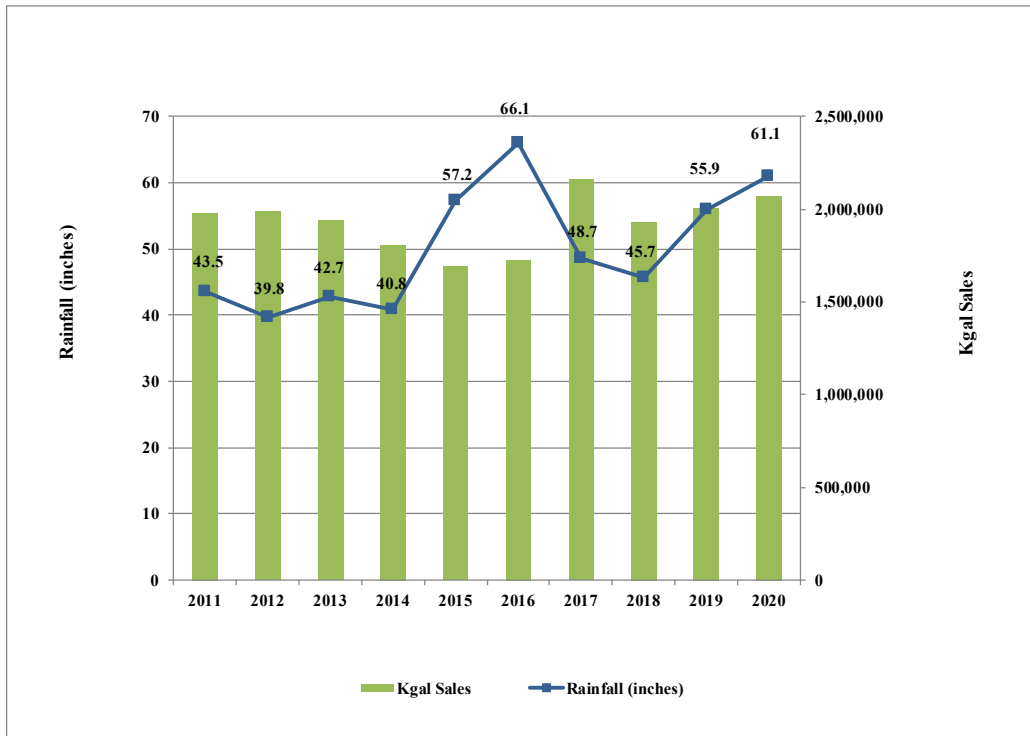
User Name	Type	2020 Billed Revenues	% of Total 2020 Billed Revenues
Hilton Head Beach & Tennis	Resort	\$ 213,055	2.75%
Cypress of Hilton Head Association	Residential Homes	140,520	1.82%
Westin Resort	Resort	117,551	1.52%
Hilton Head Resort/Four Seasons	Resort	104,206	1.35%
Spa at Port Royal	Resort	88,247	1.14%
Fiddlers Cove	Condo Complex	84,837	1.10%
Marriott Surfwatch	Resort	82,528	1.07%
Marriott Vacation Club	Resort	79,869	1.03%
Marshside Owner's Association	Apartment Complex	73,404	0.95%
IMC	Apartment Complex	50,639	0.65%
Remaining Customers		<u>6,700,946</u>	<u>86.62%</u>
		<u>\$ 7,735,802</u>	100.00%

### District Top Ten Wastewater Customers

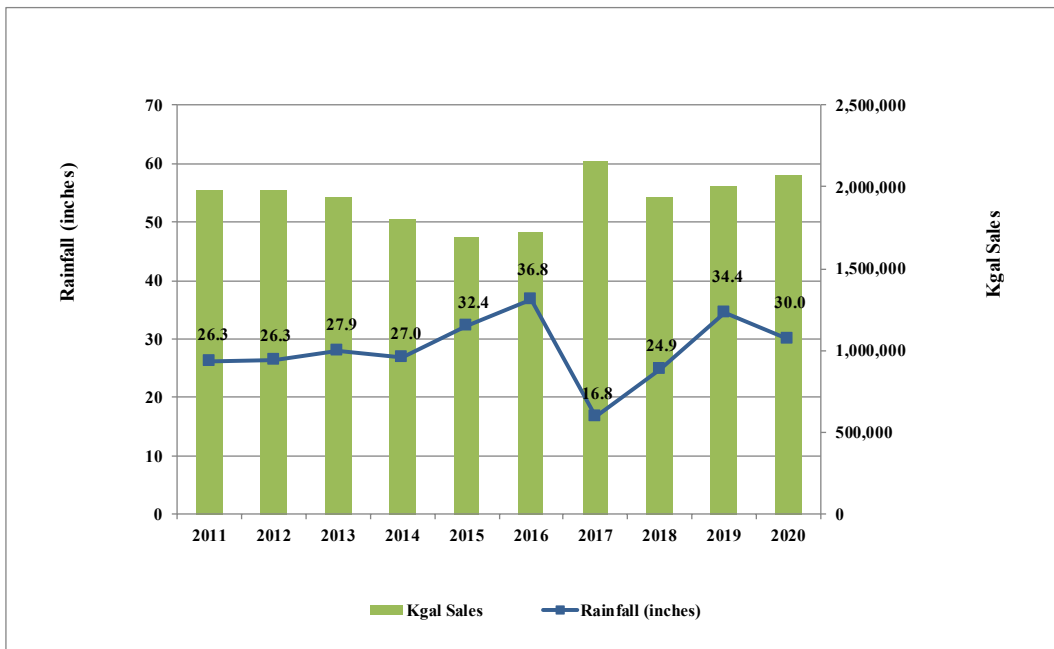
Fiscal year ended June 30, 2020

User Name	Type	2020 Billed Revenues	% of Total 2020 Billed Revenues
Hilton Head Beach & Tennis	Resort	\$ 216,093	3.78%
Hilton Head Resort/Four Seasons	Resort	120,950	2.11%
Westin Resort	Resort	103,167	1.80%
Fiddler's Cove	Condo Complex	93,911	1.64%
Cypress of Hilton Head Association	Residential Homes	84,526	1.48%
Marshside Owners Association	Apartment Complex	75,688	1.32%
Spa at Port Royal	Resort	75,183	1.31%
Marriott Vacation Club	Resort	73,854	1.29%
Marriott Surfwatch	Resort	69,211	1.21%
IMC	Apartment Complex	57,346	1.00%
Remaining Customers		<u>4,749,386</u>	<u>83.04%</u>
		<u>\$ 5,719,313</u>	100.00%

### Rainfall (inches) vs. Water/Irrigation Kgal Sales<sup>16</sup>



### Summer<sup>17</sup> Rainfall (Inches) vs. Water/Irrigation Kgal Sales



<sup>16</sup> Rainfall measurements were recorded at the wastewater treatment plant.

<sup>17</sup> Months included for each year are March through August.

## Beaufort-Jasper Water and Sewer Authority (BJWSA)-Purchased Water Expense Summary

### Water Purchased from BJWSA Summary (Whole Dollars)

	FY <u>2011</u>	FY <u>2012</u>	FY <u>2013</u>	FY <u>2014</u>	FY <u>2015</u>	FY <u>2016</u>	FY <u>2017</u>	FY <u>2018</u>	FY <u>2019</u>	FY <u>2020</u>
<b>All District Purchases from BJWSA</b>	\$ 1,199,029	\$ 1,472,568	\$ 1,183,047	\$ 984,044	\$ 1,110,409	\$ 812,457	\$ 1,555,262	\$ 1,460,476	\$ 1,472,872	\$ 981,138
Reclaimed Water Adjustment <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
Broad Creek Purchases	(174,574)	(192,363)	(170,383)	(162,657)	(109,306)	(73,259)	(320,129)	(127,776)	(82,490)	(71,933)
Capitalized Purchased Water	-	(171,887)	-	-	-	-	-	-	-	-
Prepaid Purchased Water Expense	-	(79,529)	(195,222)	(195,783)	(210,007)	(195,537)	(217,652)	(216,031)	(220,013)	(217,007)
<b>Purchased Water Expense</b>	<b>\$ 1,024,455</b>	<b>\$ 1,028,789</b>	<b>\$ 817,441</b>	<b>\$ 625,603</b>	<b>\$ 791,096</b>	<b>\$ 543,661</b>	<b>\$ 1,017,482</b>	<b>\$ 1,116,669</b>	<b>\$ 1,170,368</b>	<b>\$ 692,198</b>

### Water Purchased from BJWSA Summary (KGals)

	FY <u>2011</u>	FY <u>2012</u>	FY <u>2013</u>	FY <u>2014</u>	FY <u>2015</u>	FY <u>2016</u>	FY <u>2017</u>	FY <u>2018</u>	FY <u>2019</u>	FY <u>2020</u>
<b>All Kgals Purchased from BJWSA</b>	877,933	1,240,631	1,003,131	776,286	852,633	538,925	1,125,264	1,039,001	985,829	603,904
Reclaimed Water Adjustment	-	-	-	-	-	-	-	-	-	-
Broad Creek Purchases	(178,539)	(192,469)	(152,148)	(110,869)	(67,224)	(44,304)	(251,213)	(80,844)	(49,207)	(44,896)
Capitalized Purchased Water	-	(217,579)	-	-	-	-	-	-	-	-
Prepaid Purchased Water Expense	-	(79,413)	(244,028)	(240,743)	(247,602)	(232,782)	(256,061)	(251,199)	(250,015)	(262,894)
<b>Purchased Water (KGals)</b>	<b>699,394</b>	<b>751,170</b>	<b>606,955</b>	<b>424,674</b>	<b>537,807</b>	<b>261,839</b>	<b>617,990</b>	<b>706,958</b>	<b>686,607</b>	<b>296,114</b>
Total Peak Purchases	648,537	623,380	487,874	457,223	437,997	391,043	643,858	590,557	617,696	435,925
Total Off-peak Purchases	229,396	617,251	515,257	319,063	414,636	147,882	481,406	448,444	368,133	167,979
<b>Total Off-peak and Peak Purchases</b>	<b>877,933</b>	<b>1,240,631</b>	<b>1,003,131</b>	<b>776,286</b>	<b>852,633</b>	<b>538,925</b>	<b>1,125,264</b>	<b>1,039,001</b>	<b>985,829</b>	<b>603,904</b>

### BJWSA Rates Per Kgal Summary

	FY <u>2011</u>	FY <u>2012</u>	FY <u>2013</u>	FY <u>2014</u>	FY <u>2015</u>	FY <u>2016</u>	FY <u>2017</u>	FY <u>2018</u>	FY <u>2019</u>	FY <u>2020</u>
<b>Rates Charged by BJWSA</b>										
Peak Rate	\$ 1.58	\$ 1.58	\$ 1.58	\$ 1.58	\$ 1.74	\$ 1.76	\$ 1.78	\$ 1.82	\$ 1.86	\$ 1.91
Off Peak Rate	\$ 0.76	\$ 0.79	\$ 0.80	\$ 0.82	\$ 0.84	\$ 0.84	\$ 0.85	\$ 0.86	\$ 0.88	\$ 0.89
<b>District Cost/Kgal Prior to Broad Creek Purchases<sup>3</sup></b>	\$ 1.37	\$ 1.19	\$ 1.18	\$ 1.27	\$ 1.30	\$ 1.51	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.62
<b>Effective District Cost/Kgal After Broad Creek Purchases<sup>4</sup></b>	\$ 1.46	\$ 1.22	\$ 1.19	\$ 1.23	\$ 1.27	\$ 1.49	\$ 1.41	\$ 1.39	\$ 1.48	\$ 1.63

<sup>1</sup> Off-peak rate agreement signed on September, 2009 and the rate increases every fiscal year based on CPI.

<sup>2</sup> This adjustment adds the potable water expense associated with providing reclaimed water to golf courses at a reduced rate in exchange for potable water withdrawal rights to certain wells.

<sup>3</sup> Combined peak and off-peak purchases calculated as all District purchases from BJWSA divided by all Kgals purchased from BJWSA.

<sup>4</sup> During off-peak months, the District pays the peak rate for the first 1 million gallons purchased from BJWSA and the off-peak rate for any amount purchased over one million gallons. However, the District charges the Broad Creek PSD the off-peak rate for all of the water that they purchase during off-peak months. During peak months Broad Creek PSD is charged the peak price. As such, this calculation backs out Broad Creek PSD payments to the District and the Kgals that Broad Creek purchased to arrive at the District's Effective Cost/Kgal for its own water usage.



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